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Inter-American Affairs: Chile's Di Tella on Mercosur Talks

PY1906153096 Madrid EFE in Spanish 1715 GMT 18 Jun 96

[FBIS Translated Text] Buenos Aires, 18 Jun (EFE) — Argentine Foreign Minister Guido Di Tella denied today that the negotiations on Chile's entry into Mercosur [Common Market of the South] are bogged down over the Chilean authorities' reluctance to pay additional tariffs on shoe and textile sales.

Newspaper reports published in Buenos Aires today indicate that the Chilean negotiators "kicked the chessboard" during the meetings that are currently being held in Argentina one week before the holding of the Mercosur presidential summit.

During a news conference at the residence of Argentine President Carlos Menem, the foreign minister expressed his "hope" that all these issues will be resolved.

Di Tella indicated that these reports have been prompted by a "pessimistic analysis," epitomizing a "discouraging" assessment of the negotiations. He added that he also trusts that, during the [Mercosur presidential] meeting, "Bolivia's entry will also be resolved."

The Buenos Aires negotiations are reviewing points linked to the signing of the first free trade agreement between Mercosur and Chile, with an eye to the [Mercosur presidential] summit scheduled for 25 June in the Argentine city of San Luis.

Inter-American Affairs: Mercosur, Chile To Sign Pact 25 Jun

PY2006012496 Buenos Aires TELAM in Spanish 2124 GMT 19 Jun 96

[FBIS Translated Text] Buenos Aires, 19 Jun (TELAM) — Foreign Minister Guido Di Tella today announced that during the summit on 25 June in San Luis, Mercosur [Common Market of the South] and Chile will sign a free trade agreement that will be implemented as of 1 October.

Di Tella said: "We have reached a very satisfactory agreement with Chile that will be signed by the presidents on 25 June in San Luis. It is really a very important agreement because it greatly exceeds many of the questioned economic issues."

The foreign minister made statements during a news conference held at the Marriot Plaza Hotel in this capital.

He explained that this morning the foreign ministers of the Mercosur member countries and Chile "finished defining issues related to primary trade, especially wheat and its by-products, and also assessed the adjustment procedures, export tariffs, and the solution to controversies."

Di Tella said: "We also assessed very complex issues such as the specific rights of goods of the textile, clothing, and shoe industries."

The minister also said they discussed the requirements of origin for four products, in particular, foodstuffs, garments, advertisements, and informatics.

The main controversies that surfaced during the last round of negotiations referred to the application of Argentina's specific rights on Chilean products and the requirement to use national components, especially in articles of the textile industry.

After two years and 21 rounds of negotiations, Chilean Foreign Minister Jose Miguel Insulza expressed his satisfaction after reaching "a full agreement that transcends its exact terms and the complex system for the phasing out of tariffs.

The negotiators agreed to postpone the implementation of the agreement, initially scheduled for 1 July, until 1 October.

They also decided to extend during the mentioned period the tariff preferences between the countries.

Insulza denied that this postponement is due to the fact that the Chilean Congress must approve the free trade agreement and took it for granted that the Chilean legislative branch will approve the entire document.

The Chilean foreign minister did not dismiss the possibility that in the future Chile will cast aside this "four-plus-one" type of agreement to become a full Mercosur member and said that "that possibility is a matter of political will and action."

In addition to Di Tella and Insulza, Brazilian Foreign Minister Felipe Lampreia and Paraguayan Foreign Minister Ruben Melgarejo participated in the news conference.

The foreign ministers of the four Mercosur member countries and Chile met today and made an incredible effort to remove all the obstacles of the negotiations that seemed to delay even more so the free trade agreement between Chile and the commercial bloc.

The parties had agreed to sign a free trade agreement and hoped to do so before the last Mercosur summit held in December 1995 in Punta del Este, Uruguay.

However, various disagreements, such as the phasing out of tariffs of agricultural products considered sensitive and the tariff adjustment, postponed the signing of the agreement that will now take place during the summit in San Luis marking the end of Argentina's temporary presidency.

Inter-American Affairs: Bolivia, Mercosur Begin New Talks

PY1806213496 Madrid EFE in Spanish 1720 GMT 18 Jun 96

[FBIS Translated Text] Buenos Aires, 18 Jun (EFE) — Bolivia today started a new round of negotiations to achieve a free trade agreement with Mercosur [Common Market of the South]. Bolivia wants Mercosur to expand from 15 to 20 years the period for removing all trade barriers.

Sources linked to the negotiations told EFE that the Bolivian petition indicates that it will not be possible to sign the final agreement during the "presidential" summit scheduled for 25 June in Argentina.

In this regard, the sources pointed out that Argentina, Brazil, Paraguay, and Uruguay, the Mercosur partners, are reluctant to give more benefits to Bolivia than those anticipated for Chile.

The signing of a free trade agreement between Mercosur and Chile has been scheduled for the upcoming presidential "summit." This agreement establishes an 18-year deadline for trade liberalization and involves wheat and related products alone.

Nevertheless, the Bolivian delegation, headed by International Economic Relations Secretary Victor Rico, argues that his country is not as developed as Chile.

The agenda for the Buenos Aires negotiations also includes the drawing up of lists of protected ("sensitive") products, whose deadlines for gradually reducing tariffs within the general liberalization program will be extended.

The mechanisms for tax returns on exported products, among other points, will also be negotiated.

Inter-American Affairs: Arbitration Urged for Border Dispute

PY2006002196 Quito Voz de Los Andes in Spanish 2300 GMT 19 Jun 96

[FBIS Translated Text] The following is a last-minute report: Ecuador today proposed that in the event of disagreements in diplomatic negotiations with Peru, an eminent international personality who is able to make a mandatory and all-encompassing decision should be appointed to resolve pending bilateral issues.

Nevertheless, Peru reasserted its position that in case of disagreements the parties should submit the issue for consideration by the four guarantor countries of the peace agreement achieved in 1942 in Rio de Janeiro.

This disagreement is explicitly stated in a news communique issued in Buenos Aires after a two-day meeting held by Peruvian Foreign Minister Francisco Tudela and Ecuadoran Foreign Minister Galo Leoro. These negotiations were also attended by representatives of the four guarantor countries.

The Ecuadoran and Peruvian foreign ministers met to discuss procedures to be implemented during the negotiations scheduled to be held this year in Brasilia, during which it is expected that the two countries will achieve a definitive agreement. Nevertheless, the parties have agreed to hold a meeting beforehand in Santiago, Chile as soon as possible.

Ecuador and Peru are seeking a definitive solution to a conflict over the Condor mountain range which submerged them in a war waged in 1995. Moreover, the two foreign ministers expressed their optimism regarding the current diplomatic negotiation process.

Inter-American Affairs: Ecuador, Peru on Desire for Pact

PY2006012296 Buenos Aires TELAM in Spanish 2323 GMT 19 Jun 96

[FBIS Translated Text] Buenos Aires, 19 June (Telam) — The Ecuadoran and Peruvian foreign ministers announced today in Buenos Aires that Ecuador and Peru have reasserted their willingness to find a definitive solution to the border dispute that submerged them in a war in 1995.

In the joint communique that Peruvian Foreign Minister Francisco Tudela and Ecuadoran Foreign Minister Galo Leoro read at the Foreign Ministry building they express their commitment "to continue the current diplomatic negotiation process."

Argentina hosted the meeting that the two foreign ministers held with representatives from the guarantor countries of the so-called "Rio de Janeiro Protocol."

The communique adds that the two foreign ministers will hold "a meeting as soon as possible in Santiago, Chile to finish defining procedures to be followed during the meeting in Brasilia."

Furthermore, in the communique the Ecuadoran and Peruvian foreign ministers "thanked the Argentine Government for its generous hospitality in hosting the negotiations."

As for the negotiations to be held in Brasilia, the communique states that "the parties will hold direct negotiations with the participation of guarantor countries and that in case of disagreements, the guarantor countries will make assessments, suggestions, issue proposals, appeals, and statements."

It was also agreed that "it will be up to the parties to decide whether to accept or reject the proposals made by guarantor countries."

The joint communique also states that the Peruvian and Ecuadoran delegations "publicly express their satisfaction over the guarantor countries' decision to extend the term of the military observers mission up to 6 September 1996."

The Peruvian and Ecuadoran foreign ministers held negotiations yesterday and today with the participation of representatives from guarantor countries of the Rio de Janeiro Protocol.

The negotiations were attended by Ambassadors Juan Jose Uranga, for Argentina; Ivan Cannabrava, for Brazil; Favio Vio, for Chile; and Luigi Einaudi, for the United States. All of them are representatives of guarantor countries.

Inter-American Affairs: Argentine Customs on Ecuador Arms

PY1906173496 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1731 GMT 6 Jun 96

[FBIS Translated Text] Lima, 6 Jun (AFP-NA) — Brigadier Julio Dominguez, chief of staff of the Argentine Air Regions Command, has stated that the National Customs Administration was aware that Fine Air Company planes were transporting weapons to Ecuador, and that it authorized these flights during the border conflict with Peru in 1995.

Dominguez said: "The Customs Office authorized the shipment, which the Defense Ministry had cataloged as a secret shipment." He said the Defense Ministry "is exclusively responsible" for the so-called arms sale scandal in which a guarantor country sold guns to one of the countries engaged in the war.

In 1942, Argentina and three other countries endorsed the Peace, Friendship, and Border Protocol achieved by Peru and Ecuador.

Dominguez exempted civilian aviation from any involvement in the case.

During the 5th Meeting of the South American Civil Aviation Authorities in Cusco, Peru, Dominguez told the press: "When the investigations conclude, civilian aviation authorities will be able to provide more details."

Asked if he had personal knowledge of the Fine Air company flight itinerary, he said that he did not, adding: "Once the plane is in the air, the pilot is free to make his own decisions."

Dr. Carlos Saenz Merizalde, aeronautic policy adviser to the Ecuadoran Civil Aviation, is also attending the meeting. He said the Civil Aviation never authorized the Fine Air planes to land in Ecuador.

He stated: "Orders were received from top-ranking government levels, particularly from the Defense and Foreign Relations Ministries."

Cuba

Cuba: British Delegation Investigates Investments

PA2006023696 Havana Radio Havana Cuba in Spanish 1300 GMT 19 Jun 96

[From the "Morning Information Review" newscast]

[FBIS Translated Text] In an open defiance of the Helms-Burton law, representatives from 15 British enterprises are in Cuba to study the possibilities of investing in the Caribbean country and to learn about the economic reforms currently being implemented.

The business mission, organized by the Advisory Group for Trade With the Caribbean and the British Department of Trade and Industry, told local media that its presence in the island proves its willingness to continue negotiating with the Cubans, with or without the Helms-Burton law.

The British businessmen advocate strengthening bilateral ties, and they emphasized London maintains free trade with Havana, openly opposing the legislation that seeks to strengthen the U.S. blockade against Cuba.

The British Government submitted a complaint to Washington over the extraterritorial character of the law that was ratified by President William Clinton on 12 March.

Cuba: Robaina Meets With Mandela, Nzo in South Africa

PA2006012796 Havana Radio Havana Cuba in Spanish 1300 GMT 19 Jun 96

[From the "Morning Information Review" newscast]

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina began a visit to South Africa, where he arrived from Mozambique, this Wednesday. Upon his arrival in Johannesburg, Robaina said Cuba and South Africa have maintained excellent relations for many years; and the South African Foreign Ministry said the Cuban minister's visit will help strengthen ties between the two countries.

The Cuban Foreign Minister will meet with his South African counterpart, Alfred Nzo, on Thursday in Cape Town. He is also scheduled to meet with President Nelson Mandela and participate in a meeting with representatives of the Cuban medical team that works in South Africa, based on a cooperation agreement between the two countries.

Approximately 100 Cuban doctors have been rendering their services since February in South Africa's rural areas where medical attention is scarce.

Cuba: Foreign Minister Arrives in South Africa for Visit

PA1906181896 Havana PRENSA LATINA in Spanish 1404 GMT 19 Jun 96

[FBIS Translated Text] Johannesburg, 19 Jun (PL) — A spokesman for the African National Congress has announced that Cuban Foreign Minister Roberto Robaina Gonzalez arrived here today for an official visit to strengthen bilateral relations.

Robaina, who was received at the airport by Gauteng (Johannesburg-Pretoria) Premier Tokyo Sexwale and Cuban Ambassador Angel Dalmau, said Cuba and South Africa have a historical relationship.

In May 1994, under the Presidency of Nelson Mandela, the two countries established diplomatic ties, and they signed a cooperation agreement in 1995.

Since February, approximately 100 Cuban doctors have been working in South African regions as part of a program agreed on with the Cuban Public Health Ministry. The program could be expanded to cover other health assistance.

The Cuban foreign minister will meet with a solidarity with Cuba group today and will travel to Cape Town where he will meet with his counterpart, Alfred Nzo, and other government personalities tomorrow.

This is the third leg of Robaina's tour through Africa. He has already visited Tanzania and Mozambique, in that order, and was received by Benjamin Mkapa, president of the former, and by Joaquim Alberto Chissano, president of the latter.

Cuba: Santiago de Cuba Hosts Symposium on Alcoholism

PA1906163596 Havana Radio Rebelde Network in Spanish 1700 GMT 12 Jun 96

[From the "National Radio News" newscast]

[FBIS Translated Text] The second symposium on alcoholism in the Caribbean will begin today and end Saturday in Santiago de Cuba. Correspondent Carlos Sanabria Marrero has details.

[Begin recording] [Sanabria] This event will be an attractive scientific program with the participation of sociologists, psychologists, and other specialists from Spain, Italy, Argentina, Curacao, Dominican Republic, Mexico, and Chile. Their objective is to design a joint strategy for therapeutic and rehabilitative programs aimed at fighting alcoholism, according to information given to this newscast by Dr. (Marlen Gornuet), president of the organizing committee.

[(Gornuet)] Well, in general in almost all the countries around the world there is an increase in alcoholism. Currently, the belief is that it affects nearly 40 million people around the world and 70 percent of the population over the age of 15 consumes alcohol, in different quantities.

[Marrero] Why was Santiago de Cuba chosen to host this event?

[(Gornuet)] Santiago de Cuba is not the area of Cuba where alcoholism prevails the most. However, it is the region most concerned about the issue. It has promoted this issue in the country, both through government and policies, because it is an issue of interest for the country. Among the objectives and goals [word indistinct] of our public health system is to promote good health against alcohol and to rehabilitate 70 percent of the alcoholics that we have by the year 2000. [end recording]

Cuba: Guantanamo Court Sentences 29 for Drug Possession

PA1906184796 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 15 Jun 96

[Report by correspondent Rosana Thompson Sotomayor, in Guantanamo; from the "NTV" newscast]

[FBIS Translated Text] A Guantanamo court sentenced 29 Cubans to anywhere from 7 to 15 years in prison for illegal drug possession and trafficking 11 days after their case was put to rest:

[Thompson] A total of 29 Cubans was charged with illegal drug possession and trafficking in Case No. 123 of 1995. The prison sentences that this case merits are stiff, ranging from 10 to 15 years for the lead defendants down to 7 to 8 years for the remaining defendants. Guantanamo's provincial court reviewed piles of evidence and expert testimony before handing down the sentences. Photographic layouts [fototablas] were prepared after the facts were reconstructed and after seizures and searches were made, proving that the defendants had committed the crimes of which they were accused. The defendants — from Santiago de Cuba, Havana City, and Guantanamo Provinces — stole and marketed some 27 kg of cocaine found on the Imias Municipality coast in late 1994. It was also decided that the defendants although benefiting from the sale of this drug, did not plan to set up a drug trafficking network. Guantanamo's provincial court took into consideration the danger involved in these activities, the defendants' motivation for committing these crimes, and each individual's personal history. Cuban laws severely punish actions of this nature in harmony with the policy that our country has enforced for over 30 years to fight drug consumption.

Cuba: Nation Reiterates Severe Stance on Drug Addiction

PA1906231196 Havana PRENSA LATINA in Spanish 2121 GMT 18 Jun 96

[FBIS Translated Text] Havana, 18 Jun (PL) — Today, Cuban Vice Health Minister Luis Cordova Borges said here that Cuba has the firm political resolve to prevent drugs from coming into the country, thus averting any possible illegal uses.

At the inauguration of the First International Seminar on the Abuse and Dependence on Psychoactive Drugs, Cordova Borges pointed out that because of the country's situation, it is necessary to reinforce the mechanisms to control and prevent the use of narcotics. This is why the National Drug Commission was created.

He noted: "Our efforts have focused on maintaining a proper balance between supply and demand; guaranteeing the appropriate availability of these substances for their legitimate use; and complying with the international agreements, to which our country is a signatory."

Cordova Borges stressed that the illegal use and the illegal traffic of drugs affects virtually all countries and causes serious problems in the political, economic, and social welfare of the peoples. He added that a multidisciplinary approach and international cooperation are necessary to tackle this problem.

In an interview with PRENSA LATINA, Cordova Borges mentioned that harsh measures against drugs are being adopted in Cuba to prevent this scourge from gaining strength. Hence, the experiences of other countries are being considered.

He explained that "there are many states that have done more work in this regard and even though our island does not register major consumption rates, we must definitely welcome the views and possible recommendations of international experts in the pharmaceutical, medical, legal, and social aspects linked to this problem."

Broaching the problem of alcoholism in Cuba, Cordova Borges contended that for several years, a work plan has been drafted to prevent and control this dependence, which is the main problem pinpointed in this area.

In this seminar on the abuse of psychoactive substances, which is being held in Havana until Friday, 100 delegates from Cuba and six other Latin American countries are exchanging experiences on the most advanced techniques for the therapeutic prevention, rehabilitation, and social reintegration of drug addicts.

This forum, the first one held in Cuba on this topic, explores in its scientific program the subject of mental health within the framework of the Cuban health system; drug consumption; addict personalities; pharmacological and legal aspects of drug addiction; and control and oversight mechanisms in this area.

This seminar also intends to disclose the results obtained in the treatment of foreign patients in Cuba in the "El Quinque" community, which is specialized in providing attention to drug addicts.

The event is being held at the Corona Hall of the Habanero Hotel Melia Cohiba and it includes conferences, theoretical and practical workshops, and visits to Cuban health centers.

Cuba: 'Ongoing Progress' Report Process in Matanzas

PA1906162596 Havana Radio Rebelde Network in Spanish 1155 GMT 14 Jun 96

[From the "Doing Radio" program]

[FBIS Translated Text] Irregularities with the quality of bread, water supply, street lights, and garbage pick up, as well as road and housing maintenance have been the issues most often raised at the ongoing progress report process in Matanzas Province.

In the more than 2,000 meetings, and about 13,000 depositions, the people of Matanzas have brought up their complaints on the deficient supply of water and the jump in the number of leaks, the lack of street lights in towns and cities, and the rise of illegal dumps, and potholes in streets, roads, and highways.

Even though these complaints are not new, the novel style of the progress report meeting has resulted in almost 1,000 agreements with the masses which result in productions adapted to the current times, and this is perhaps a good issue to be raised at the next regular meeting of the Provincial Assembly of the People's Government in Matanzas scheduled for today.

Cuba: Cattle Theft Declines in Sancti Spiritus Province

PA2006042096 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 18 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] All conditions have been met to turn Sancti Spiritus Province into a symbol of the fight against the theft and slaughter of cattle. This is what Agriculture Minister Alfredo Jordan stated in his speech during a meeting addressing this issue that took place in the region.

[Begin Jordan recording] All of us must understand what can be obtained through these activities. The chief perpetrators of these crimes, especially the theft and slaughter of cattle, is the owner. [end recording]

The current results are far from perfect, but Sancti Spiritus Province has registered a significant decline in cattle theft. This statement is based on the fact that there have been approximately 100 fewer cases of theft compared to the same period last year.

Cuba: Journalist Criticizes Police in Fight Against Crime

PA1906163696 Havana Radio Rebelde Network in Spanish 1155 GMT 14 Jun 96

[Commentary by Eduardo Jimenez; from the "Doing Radio" program]

[FBIS Translated Text] One of the most important accomplishments of the Cuban people by means of the revolution, was to secure the citizenry's tranquillity. However, I believe that on occasion we take it for granted, perhaps because we have enjoyed it for so long, and only miss it when we feel it is threatened.

In many countries, this tranquillity is an unattainable dream and houses resemble, more and more, jails that protect families members from crime. Tranquillity is the best index of a society's health, and in Cuba's case, it has been among the many unquestionable accomplishments of the revolutionary process, a determining factor that has promoted the people's resistance in the midst of the situations and limitations imposed by the special period.

Logically, the constant shortages and severity of the crisis, have served to spur and promote a rise in criminality in our society. Also, misdemeanors were tolerated and stealing became synonymous with getting by or making do. Several symptoms became very evident, a significant number of youths who could not meet their needs by means of work, given the depressed value of salaries, became loafers that whittle away their time in daydreams.

Borderline behaviors bloomed, and respect, decency, and solidarity became obviously corroded; the right climate for a upsurge in crime. Yet, the Cuban people's natural rejection of characters such as thieves, or pickpockets, which were the most vulgar and visible cases, has served to counterbalance and neutralize these trends that destabilize order and social peace.

Today, as we observe a slight improvement in our economy, we also see an increase in crime, an issue that has become a regular topic of conversation among the citizenry. Events, such as burglarized homes, the theft and slaughter of cattle, and diverse forms of armed robbery are increasing worries of the people. It is also particularly significant the impunity which with on many occasions some criminals act and the fact that security forces representatives are unable to effectively make a dent against such acts.

It is also true that crime becomes easier in some communities or neighborhoods, when many citizens begin to care only for their own well-being and to ensure they are not victimized. Even doors closed with bars are becoming a common occurrence. However, these evasive postures are not grounded on how difficult the times are and the sometime negative mutation of values. There are neighborhoods where thefts are so frequent and the police officers so ineffective, that many end up giving up and looking out for themselves. Calling the police, time and time again, is on occasion such a burdensome and discouraging procedure that many opt to forget about it. At times, the excuses the police give amount to nothing more than blaming everything on the lack of resources. Yet, although it is true that we do not have all the conditions needed to do the job, one can see on occasion that many take the easy way out. In addition, there seem to be only very weak preventive efforts.

Ensuring the citizenry's tranquillity has been one of the most important attributes of the revolution. This is precisely why one of the main goals of the counterrevolutionary efforts has been promoting insecurity and mistrust by encouraging criminals of all sorts. Failing to present a strong and intelligent offensive against crime, which spurred by the difficult economic situation endeavors to prevail, could mean in the future the loss of something as precious to the Cuban people as the citizenry's tranquillity and peace, two vital columns that have upheld the revolution.

Now, is the time to act.

Dominican Republic

Dominican Republic: Poll Shows Leonel Fernandez To Win

PA2006035596 Mexico City NOTIMEX in Spanish 2214 GMT 19 Jun 96

[FBIS Translated Text] Santo Domingo, 19 Jun (NOTIMEX) — According to the results of a Gallup poll conducted on the runoff elections, Leonel Fernandez, "Patriotic Front's" presidential candidate, will become the next president of the Dominican Republic.

So far, Fernandez, "Patriotic Front's" presidential candidate, is leading with 51 percent of the votes, 4 percentage points ahead of his opponent, Jose Francisco Pena Gomez, from the Dominican Revolutionary Party (PRD).

In a change of the results that favored Pena during the first round of elections held on 16 May with 45 percent of the valid votes cast, the "Patriotic Front's" representative is now leading the Dominicans' electoral preferences.

Gallup attributed the increase in the preference for Fernandez to the support former President Juan Bosch and current President Joaquin Balaguer gave him.

The U.S. organization previously made public the results of another poll, in which Fernandez obtained 50 percent of the votes, while Pena obtained 49 percent. According to Gallup, the votes are more polarized in Santo Domingo.

The runoff elections will be held on 30 June, and the winner must replace Balaguer in August. Balaguer has remained at the helm of the Dominican Government for seven terms, three of which were consecutive.

The elections in the Dominican Republic were held ahead of schedule because of the political instability triggered by the alleged electoral fraud committed in 1994, when Balaguer assumed power with less than a 1-percent advantage over Pena.

Haiti

Haiti: Florida's Governor Visits, Meets With Preval

PA1906010896 Port-au-Prince Signal FM Radio in French 1030 GMT 18 Jun 96

[From the "Waking Up Newscast"]

[FBIS Translated Text] President Preval received visiting Florida Governor Lawton Chiles on 17 June, and the two held talks that afternoon at the National Palace. During this meeting, the two men discussed the cooperation between Florida and Haiti and the immigration issue. The Haitian president asked for more understanding and political support for democracy. He also solicited concrete support from the Florida governor, notably in materials for the implementation of infrastructural projects.

[Begin Preval recording] We discussed issues of interest to Haiti and the United States, especially Florida. You know, with Florida being so close to Haiti and because of the boat-people phenomenon, Florida is particularly interested in Haiti's stability and economic soundness. The governor is worried about the economic and political situation in general and wants to prevent any increase or resurgence of the boat-people phenomenon in the United States, especially in Florida. Beyond that, we looked at the... [pauses] after analyzing the situation in Haiti, we looked at the possible areas of cooperation between Haiti and Florida. [end recording]

For his part, Governor Lawton Chiles says he is studying the Haitian requests and asserts that he has personally invited the Haitian president to visit Florida in order to best define the needs of his administration.

[Begin Chiles recording, in English] We will go back and look at ways, and we can work on specific requests that Haiti [words indistinct] interested in and we will certainly see how we can help. [end recording]

Governor Chiles stated that they are going to return to Florida to more closely examine the main demands of the Haitian Government, its main interests, and they will then determine how to help Haiti.

The governor, who was accompanied by General John Sheehan, chief of the U.S. Army's Atlantic Command, also paid a visit to the Police Academy where new policemen assigned to patrol the Haitian coasts are being trained. Four light patrol boats provided by the United States, are used in this mission. Members of the U.S. and Canadian Coast Guards have been training since last March the Haitian personnel assigned to this maritime police unit, which will be operational next July, U.S. sources report. Lawton Chiles also visited, along with General Sheehan, the U.S. Support Group for Haiti made up of several hundred military engineers assigned to civilian tasks and projects in the fields of health and education. Today, the governor will hold taks with Prime Minister Rosny Smarth and members of the Haitian private sector before returning to Miami this afternoon.

Haiti: Preval Returns From Europe, Answers Questions

PA1906151596 Port-au-Prince Signal FM Radio in Creole 1130 GMT 17 Jun 96

[From the "0730 Appointment" newscast]

[FBIS Translated Excerpt] The Haitian presidential delegation returned to the country over the past weekend following his 10-day visit to Europe. President Rene Garcia Preval says he is satisfied about his tour in Europe where he visited four states including France where he met with Jacques Chirac; Belgium; Italy, where he met with Pope John Paul II; and finally, Germany, where he met with several personalities of the German Government. The goal of this tour was to strengthen the relations between Haiti and the rest of the world, and to explain to the different international partners the situation prevailing in Haiti. President Rene Preval, who was answering the questions of several journalists, says he hopes the different international donors will support the economic reforms that will be made in Haiti.

[Begin Preval recording] We already... [pauses] First, it was a trip aimed at strengthening our relations [word indistinct] during which we explained our position, and during which they explained their positions to us as well. We have realized that we are on the right track as far as what many countries visualize about the global situation of the world today. Thus, there is a better understanding on both sides. Second, as we have finished negotiating with the IMF, we hope that the donors, the different donors, will cooperate with the economic program that we have negotiated. The reform has already begun. You have seen that before leaving for my tour I signed with the ministerial cabinet... [pauses] that many directors have been replaced. This is the beginning of the reform. [passage omitted] [end recording]

Haiti: Radio Reports on Policeman Killed 18 Jun

PA2006042196 Port-au-Prince Signal FM Radio in Creole 1130 GMT 19 Jun 96

[From the "0730 Appointment" newscast]

[FBIS Translated Excerpt] Another Haitian policeman was killed on the afternoon of 18 June in the Bourdon area. He was shot by an armed stranger who ran away afterward. He is the eighth policeman, a member of the new National Police Force, who has been killed in Haiti in the past two months. Jean-Victor Serat, 21, was attached to the ministerial protection service and appointed to the Aviation Corps in Port-au-Prince. He was in a public transportation vehicle linking Petion-Ville and downtown Port-au-Prince when the incident happened in the Bourdon area.

According to the testimony of several people who were at the site, the victim had an argument with the person who shot him a short time before the incident. [passage omitted]

Other witnesses say the person who shot policeman Jean-Victor Serat identified himself as a national policeman before he shot the policeman. Several national policemen who arrived in the area in which the crime was committed did not conceal their indignation when the journalists asked them questions.

[Unidentified policeman] [Begin recording] I cannot tell you who did this, because I just arrived. I am not aware of anything.

[Unidentified journalist] What is his name?

[Policeman] He is from the same class as me. His name is Jean-Victor Serat. [passage omitted]

[Journalist] How do you interpret this crime?

[Policeman] Well, my interpretation of the policemen who are being killed is that we are lacking the structure needed to do our work. Do you understand? If we had the means [words indistinct] armed bandits who committed this action.

[Journalist] You have said something important. You have said that the policeman who died did not have any bullets.

[Policeman] Well, I have heard that he did not have any bullets.

[Journalist] [words indistinct]

[Policeman] People who saw him, policemen who saw him, reported that he did not have any bullets in his gun. [end recording]

Haiti: Aviation Service Policemen React to Assassination

PA2006043496 Port-au-Prince Signal FM Radio in Creole 1130 GMT 19 Jun 96

[From the "0730 Appointment" newscast]

[FBIS Translated Text] Aviation Service policemen reacted to the murder of their colleague, Jean-Victor Serat. They staged an important protest on the afternoon of 18 June in the Delmas 2 area. They hindered traffic in the area yesterday for half an hour.

The Aviation Service policemen say they are victims of the existing discrimination in the police hierarchy in Haiti. According to them, Jean-Victor Serat is the second policeman from the Aviation Service who has been killed in the metropolitan area in the past few days. They see sinister plots behind this action and denounce the divisions existing within the National Police.

The Aviation Service policemen criticize the general director of the National Police, who does not do anything to bring harmony to the institution. They answered our questions.

[Begin unidentified policeman recording] I can say that today the officials are responsible for all those problems. They really do not assume their responsibilities, because they divide the police.... [pauses] There are not two police corps in the field; there is one Haitian National Police.

As for us, we received training at Guantanamo base. We were trained by ICITAP [International Criminal Investigative Training Assistance Program].

The men who spent four months at the Police Academy were trained by the same people. They are professionals, and we are too. We have done the same good job in the field, and everybody acknowledges our competence. I do not believe today... [pauses] The men have created a division that causes us to be killed, and that from time to time — when they have a problem with us — they just shoot. [Words indistinct] again and again because he does not have a place there; he does not at all have a place there; we do not want this director to lead us any longer. [end recording]

Mexico: PRD Leader, U.S. Ambassador on Helms-Burton Law

PA2006000296 Mexico City XEW Television Network in Spanish 0330 GMT 19 Jun 96

[From the "24 Hours" newscast]

[FBIS Translated Text] Porfirio Munoz Ledo, Party of the Democratic Revolution [PRD] national leader, said that his meeting with U.S. Ambassador to Mexico James Jones was based on such issues as immigration, the political reform in Mexico, and the economic situation between Mexico and the United States. However, the Helms-Burton law was the issue to which the most time was devoted.

[Begin Munoz recording] His administration's position is that since the law was approved, they have to enforce it. We believe that this type of law cannot be enforced when, in reality, they have extraterritorial connotations and when they resort to such abuses as denying visas to citizens from other countries. These actions oppose universally accepted international principles. [end recording]

The meeting between Ambassador Jones and the PRD leader took place at the PRD headquarters.

Mexico: Senator on Details of Helms-Burton 'Antidote Law'

PA2006041896 Mexico City XEW Television Network in Spanish 0330 GMT 20 Jun 96

[From the "24 Hours" newscast]

[FBIS Translated Text] Here are some details of what Mexico's antidote law against the Helms-Burton law will be.

During today's session of the Permanent Commission of the Congress of the Union, the contents of the Mexican antidote law to fight the U.S. Helms-Burton law were revealed.

Institutional Revolutionary Party [PRI] Senator Jose Murat, president of the First Section of the Foreign Relations Committee of the Senate, gave details of what the Mexican Congress is preparing.

[Begin Murat recording] The protection would be provided by a set of norms penalizing Mexican or foreign individuals or corporations that cooperate with U.S. authorities in the application of the aforementioned law. [end recording]

Senator Murat, who is also vice president of the Permanent Commission, continued:

[Begin Murat recording] In addition, the law must include a series of provisions to prevent individuals or corporations from offering or providing information at the request of the U.S. authorities, the purpose of which would be to exercise supervision, control, coercion, or any other type of power over the activities of persons or any fellow citizen that helps the U.S. authorities apply the law. [end recording]

PRI Senator Carlos Sales, president of the Finance Committee of the Senate, spoke about the benefits Mexico would obtain if it makes an early payment of the foreign debt with the United States.

Finally, new agricultural court justices were sworn in today.

Mexico: EZLN Issues Guidelines for State Reform Assembly

PA1906185096 Mexico City LA JORNADA in Spanish 14 Jun 96

[Communique of the Clandestine Indian Revolutionary Committee- General Command (CCRI-CG) of the Zapatist National Liberation Army (EZLN), issued in the southeastern Mexican mountains in June — received via internet]

[FBIS Translated Text]

Guidelines for Holding the Special Assembly on State Reform (June-July 1996)

1. In conformity with the "Declaration on Extension and Objectives" and the "Letter of Commitment" that the EZLN and the Harmony and Peace Commission (Cocopa) have signed, the EZLN will organize the Special Assembly on State Reform with the backing of Cocopa and the National Mediation Commission (Conai).

2. The assembly will be held at the City Theater and the El Carmen Cultural Center, in San Cristobal de las Casas, Chiapas, from 30 June to 6 July 1996.

3. All of the Mexican people, organizations, movements, communities, and tribes [pueblos] that the EZLN decides to invite will participate in this assembly. All the people, organizations, and movements in the world that the EZLN invites as observers will also participate in the special assembly.

Conai and Cocopa will be in charge of accrediting the guests and observers, based on the list that the EZLN will draft. Cocopa and Conai will also send to the EZLN their lists of the members and support personnel who will participate in the assembly.

4. The EZLN will coordinate assembly activities through its advisers during the plenary sessions and working panels.

5. The assembly will respect the right of participants to express themselves freely, within the guidelines that have been established for maintaining order and with respect for the participants.

6. The assembly's activities will include the following:

a. Working panels. Eight working panels will be set up to cover, among other issues: justice, democracy, freedom, and state reform. Larger panels will be subdivided if it is found to be more convenient to do so.

b. Participants can openly discuss the topic that has been assigned to them during the panels.

c. The panels will make an effort to reach a consensus on the points that have been debated.

d. Plenary sessions. There will be a plenary session for each panel once the working panels have ended their debates. The plenary sessions will be held successively (not simultaneously). The objective of the plenary sessions is to present each panel's work; thus, all participants will be briefed on all panel conclusions and will be allowed to discuss the issues further so that all participants can reach a consensus on them.

7. Cocopa will guarantee the security of all assembly participants. The International Red Cross committee responsible for safeguarding members of the CCRI-CG of the EZLN will be involved in security measures.

8. Cocopa will help further the assembly by taking charge of logistical and infrastructural requirements.

9. The technical secretariat will be in charge of the EZLN advisers and guests and will have the technical support of Cocopa and Conai.

10. The media, previously accredited by Conai and Cocopa and supervised by the EZLN, will be allowed access to assembly activities.

11. Unforeseen situations will be resolved through common agreement between the EZLN and Cocopa.

[Signed] From the southeastern Mexican mountains, CCRI-CG of the EZLN

[Dated] Mexico, June 1996

Mexico: Roundup of Economic Developments Through 17 Jun

PA1806121996

[FBIS Report] The following is a compilation of reports on economic developments in Mexico monitored through 17 June.

According to a Mexico City, 10 June-datelined item, the National Institute of Statistics, Geography, and Information Science reported today that Mexico's trade balance had a $792.6 million surplus in April. This surplus is $110.8 million higher than that of the month before. April's exports were valued at $869.6 million. (Mexico City NOTIMEX in Spanish 1954 GMT 10 Jun 96)

According to a Mexico City, 10 June-datelined item, the National Consumer Price Index increased by 1.82 percent in May in relation to the previous month. The inflation for the first five months of the year has been 13.46 percent. All this according to the Bank of Mexico. (Mexico City NOTIMEX in Spanish 1521 GMT 10 Jun 96)

The National Finance Bank will support the capitalization of 200 enterprises as part of a program to help the micro and small enterprises as agreed with the private sector. To do this, 10 billion pesos will be used and the National Finance Bank will provide 50 percent of the amount. Commercial banks will provide the rest. (Mexico City EL FINANCIERO in Spanish 10 Jun 96 p 15)

During the first four months of this year, the automobile industry produced 402,490 units, the highest level in its history. Exports increased to 322,119 units, which is 19.6 percent more than the January to April 1995 export figure. (Mexico City EL FINANCIERO in Spanish 10 Jun 96 p 32)

According to the Federal Public Finances Account presented by the executive to the Chamber of Deputies, on 31 December 1995 the public sector's gross debt climbed to 841.6298 billion pesos, a 275.8107 billion pesos increase over the 1994 debt figure. This means that the Mexican Government exceeded the limits set by commitments assumed with the sectors that signed the fiscal and public savings adjustment program. (Mexico City EL FINANCIERO in Spanish 10 Jun 96 p 30)

The Protexa Group headed by Humberto Lobo Morales in partnership with Proyectos y Construcciones (PYCSA), the Netherlands Boskalis, and having the endorsement of the government of Tamaulipas, expects to initiate the construction of the Tamaulipeco Intracoastal Canal in September. The partnership secured the construction concession on 31 January for a 25-year period that can be extended. (Mexico City EL FINANCIERO in Spanish 10 Jun 96 p 40)

The Bank of Mexico, in line with its plans to place the Investment Unit Bonds (Unidades de Inversion — Udibonos) is making its second call in this direction this year. Monetary authorities will offer to investors a total of 3.9318 billion pesos distributed as follows: 3.2 billion pesos in Treasury Certificates; 500 million in Development Bonds; and the remaining 231.8 million in Udibonos, according to the call made known Friday.

(Mexico City EL FINANCIERO in Spanish 10 Jun 96 p 17A)

According to a Mexico City, 10 June-datelined item, the National Banking and Securities Commission has reported that representatives of the Bank of Bilbao Vizcaya today signed with Mexican financial authorities a letter of intent for the purchase of the Cremi Bank and the Bank of Oriente. (Mexico City NOTIMEX in Spanish 1817 GMT 10 Jun 96)

The Finance and Public Credit Secretariat, SHCP, has reported to the Chamber of Deputies that the gross public debt reached $112.217 billion by the end of 1995 as a result of the devaluation of the peso and the recruitment of new foreign loans. The SHCP pointed out this amount is equivalent to 53.3 percent of the gross domestic product for the same year. (Mexico City LA JORNADA in Spanish 10 Jun 96 p 50)

Jose Santos Asseo, president of the National Chamber of Commerce, has disclosed that 90 percent of the country's commercial companies operating with profit margins ranging from zero to 2 percent have temporarily suspended their tax payments, Social Security Institute contributions, and utilities' payments in order to finance their operations. (Mexico City LA JORNADA in Spanish 10 Jun 96 p 49)

The Mexican Securities Exchange, BMV, has reported that at the end of May, foreign investment amounted to $34.311 billion which barely grew by 0.98 percent as compared to April. (Mexico City EL FINANCIERO in Spanish 11 Jun 96 p 5)

British Embassy representatives have reported that Great Britain has an accumulated investment of $4 billion in Mexico, which makes it the second highest-ranking economy investing in the country. Nonetheless, Great Britain invested $400 million in 1995, which respresents a considerable drop compared to the previous year's investment estimated at $1.1 billion. (Mexico City EL FINANCIERO in Spanish 11 Jun 96 p 23)

The president of the National Chamber of the Garment Industry has reported that due to the economic crisis, 83 percent of that industry has decided to join the informal economy. The industrialist added this means that out of a total of 11,265 companies, 9,287 of them do not have any legal registration or cover their employees' social security contributions. (Mexico City LA JORNADA in Spanish 11 Jun 96 p 39)

Mexico City Mayor Oscar Espinosa Villarreal on 10 June reported to President Ernesto Zedillo that it is expected that 49 billion pesos will be invested in the Federal District which will generate 155,000 jobs in 1996. (Mexico City LA JORNADA in Spanish 11 Jun 96 p 34)

The annual report of the Bank of Mexico specifies the bank alotted $4.929 billion in the exchange market in 1995. The report added that $10.138 billion were taken out in foreign investments, while $13.333 billion were paid in interest for the country's total foreign debt. (Mexico City LA JORNADA in Spanish 11 Jun 96 pp 1, 40)

According to the Bank of Mexico's annual report, the bank intervened in the exchange market 25 times last year, particularly in November, to prevent a bigger devaluation. The cost of these operations was nearly $5 billion. The report also points out that Mexican deposits abroad increased by nearly $5 billion. Nevertheless, the bank's action was an emergency one because the local currency's devaluation was more a symptom than the problem. (Mexico City LA JORNADA in Spanish 11 Jun 96 p 2)

Labor Secretary Javier Bonilla reports that the true loss of purchasing power dropped to 70 percent in the past two decades and that the insured population on a minimum salary level dropped from 45 to 19 percent. In addition, he reported that more than two thirds of the revisions of current collective labor contracts report increases of between 20 and 25 percent. (Mexico City LA JORNADA in Spanish 11 Jun p 14)

According to a Mexico City-datelined report, Mexico and the ROK signed economic and scientific cooperation agreements during the Fourth meeting of the ROK-Mexico Joint Commission for Economic, Scientific, and Technical Cooperation in Seoul. The meeting served to discuss ROK's joining the Economic Cooperation and Development Organization (OCDE), as well as a customs agreement and Mexican seafood exports. (Mexico City NOTIMEX in Spanish 0907 GMT 12 Jun 96)

The Association of Restaurant Owners reports that sales have dropped by more than 50 percent because of the high crime rate. (Mexico City XEW Television Network in Spanish 0330 GMT 12 Jun 96)

Morelos state reports a record sugar production of 1.3 million metric tons. (Mexico City XEW Television Network in Spanish 0330 GMT 12 Jun 96)

The National Banking and Securities Commission reports that the 16 foreign bank branches that operate in the country have penetrated the Mexican market by more than 30 percent in less than three years. Although the overdue loan payment portfolio of these banks increased by 25 percent from March last year to March this year, these banks doubled their loan portfolios in the manufacturing, construction, and commerce fields.

(Mexico City EL FINANCIERO in Spanish 12 Jun 96 p 8)

Due to the favorable development of exports, the manufacturing industry grew by 4 percent during the first quarter this year. Its two most important components, the transportation industry and the maquilas grew by 3.6 percent and 10.2 percent, respectively. (Mexico City EL FINANCIERO in Spanish 12 Jun 96 p 28)

According to a document sent to the Chamber of Deputies as an annex to the Finance Secretariat's annual report, the estimated fiscal cost of the measures adopted to strengthen the national banking system and solve the crisis of personal and enterprises' overindebtedness amounts to 148 billion pesos, the equivalent of 6.55 percent of the 1996 GNP. (Mexico City EL FINANCIERO in Spanish 12 Jun 96 p 4)

The government's social expenditures dropped by 1.3 percent in real terms during the first trimester of this year compared to the same period in 1995 when 25.8521 billion pesos were spent. According to a study prepared by EL FINANCIERO, based on figures of the Finance and Public Credit Secretariat, SHCP, this is a relevant statistic because social expenditures dropped by 9.7 percent in real terms in 1995, and thus, social expenditures have dropped by 10 percent in the past 15 months. (Mexico City EL FINANCIERO in Spanish 12 Jun 96 p 3-A)

According to a report issued by the SHCP, the government has spent 121 billion pesos by the end of the first trimester of 1996 to rescue private banks. This figure is 43.6 percent higher than anticipated. The reports added that this is equivalent to 5.35 perrcent of the estimated 1996 GDP. (Mexico City LA JORNADA in Spanish 13 Jun 96 p 43)

The closure of many companies in the past years and a 2.2 percent average annual industrial growth promoted by exports at the end of the first trimester of 1996, among others, led to a 16.9 percent per year increase in imports during the first four months of 1996. (Mexico City EL FINANCIERO (ANALISIS Supplement) in Spanish 13 Jun 96 p 3-A)

Jose Madariaga, president of the Mexican Bankers Association, said on 13 June that foreign banks participate 14 percent of the banking sector. He added that although there are many branches of foreign banks in Mexico, this figure is one of lowest in Latin America. Madariaga noted that the overdue portfolios of nonintervened banks total about 65 billion pesos. Of the 43 banks established in Mexico, 16 are foreign: Chemical Bank, Santander, Chase Manhattan, Bank of Tokyo, Fuji Bank, Bank of America, Abn Amro Bank, Banque Nationale de Paris, Boston Bank, Citibank, Dresner Ban, Republic Bank of NY, Societe Generale, ING Bank, JP Morgan, and First Chicago. The institutions had assets totaling $41.733 billion pesos as of March 1996. (Madrid EFE in Spanish 0930 GMT 13 Jun 96)

On 12 June Genaro Borrego, director general of the Mexican Social Security Institute, IMSS, announced measures to support companies with overdue portfolios. Credits registered as of June 1991 and charter capital loans registered as of 30 June 1991 will be written off. The surchages levied on employers will be pardoned if they pay their debts that were overdue by December 1995. Borrego added that the number of workers incorporated into the IMSS increased in May. In the first five months of 1996 the number of permanent workers increased by 213,396. (Mexico City XEW Television Network in Spanish 0330 GMT 13 Jun 96)

Nora Jaime Trevino, representative of the World Gold Council, said on 14 June that the value of Mexican gold has increased more than inflation in the past 20 years. She added that Mexico ranks 17th in production worldwide with 20.3 tons in 1995. (Mexico City NOTIMEX in Spanish 1931 GMT 14 Jun 96)

According to a study made by the National Banking and Securities Commission, the overdue portfolio of Mexican banks grew by 326 percent between January 1994 and March 1996. Overdue debts increased from 32.681 billion pesos to 106.593 billion pesos. (Madrid EFE in Spanish 0705 GMT 15 Jun 96)

Mexico: Possible Oaxaca Guerrilla Threat Assessed

96CA0217A Mexico City PROCESO in Spanish 27 May 96 No 1021, p 1

[Article by Gerardo Albarran de Alba and Pedro Matias — received via Internet]

[FBIS Translated Text] The guerrillas in Oaxaca are threatening the eastern and western flanks of the state, while in the northern and southern mountains, communities are rejecting the political parties' rhetoric and calling for weapons in order to make themselves heard.

These are "reports we have received recently," says Senator Hector Sanchez, who says that "the objective and subjective conditions exist for an armed movement to emerge in Oaxaca."

With an "exclusive" government such as that of Diodoro Carrasco, the symptoms of social disintegration and ungovernability are manifested in assassinations, postelection conflicts, public insecurity, impunity, the deafear policy, and the militarization of the state.

The climate in the communities, especially Indian ones, "is one of very serious dissent," warns the senator of the Party of the Democratic Revolution (PRD).

"There are places where the possibility of not just a civic rebellion, but an armed rebellion, is floating in the air."

The residents of Oaxaca have some clear questions:

"Why is it that in Chiapas there are negotiations and people are heard and given responses... while we Oaxacans, who are worse off than the Chiapans, are ignored?"

Hector Sanchez himself responds: "Because there is no governor who is a doer, an ally of these Indian communities, who will require that their demands be met."

The State Population Council's records show that there are 431 municipalities (75.6 percent of the total) where the poverty indicators are at the highest level in Oaxaca, while only 9.7 percent of the municipalities (with 291,804 inhabitants) have very low poverty levels.

This has led to confrontations, sometimes among the communities themselves, sometimes with the police, "but recently we have received reports that some type of guerrilla movement may be forming around Amoltepec and in the Tuxtepec region."

In addition, in the northern and southern mountains, "groups have come in and turned various local organizations against the electoral process, because elections do not resolve anything, and they say, 'We must find a way to make ourselves heard here.'"

"The objective and subjective conditions exist for an armed movement to emerge in Oaxaca," says the senator.

Of the 3,019,560 inhabitants in Oaxaca, 40 percent speak an Indian language or live in homes where the head of household is a bilingual or monolingual Indian, according to the 1990 census.

It is said that there are already guerrillas in Oaxaca, Hernandez is reminded.

The senator, who is the coordinator of the PRD caucus in the Senate, replies that it is likely. "We have heard opinions in some communities rejecting political parties and elections. There are voices, albeit isolated ones, that say, 'Why do you come around and give us all these speeches? Bring us weapons, that is what we need to send the message to this government that we are abandoned!'"

"There probably is an incipient movement that is not yet strong enough to operate in the open in Oaxaca. I have heard that in the Tuxtepec region and in the Sierra Juarez, and around the Triqui area, there are movements that could become guerrilla operations."

According to the senator, the governor downplays all this. "He thinks these are isolated cries in the Indian communities." The worst thing is that "he is more worried about winning the elections than governing; he thinks more like the president of the PRI [Institutional Revolutionary Party] than like a governor."

The fact remains that, on the pretext of campaigns to collect weapons, combat drug trafficking, carry out social projects, or ferret out armed groups, the Army is assaulting entire towns and militarizing the Indian areas, complains Father Juan Ramirez Carreno of the Siete Principes Parish.

This is no idle complaint: The Zoque Indians have denounced the presence of soldiers in the Chimalapas, where on 12 May, on the pretext of putting out a fire that the townspeople had already gotten under control, soldiers intimidated the population and seized their weapons. "Who are your leaders? Where is Marcos? Who is organizing you?" they demanded.

The municipal president of Atitlan Mixe, Secundino Mendoza, also complained that on 29 April, one day after Bishop Samuel Ruiz of San Cristobal de las Casas visited the town, seven "antidrug trafficking checkpoints" were set up, although "it is really an antiguerrilla operation," says Juan Elias Inocente Hernandez of the Mixe People's Service.

The soldiers conducted military operations in the Sierra Norte de Oaxaca in January, and now they are carrying out another in the Tezonapa hills and three municipalities in Oaxaca to track down guerrillas, according to the daily NOTICIAS DE OAXACA.

Governor Carrasco believes that "there are and will continue to be social concerns in Oaxaca, as well as legitimate demands associated with needs and requirements to combat poverty, but in no way are they linked to armed groups that have political or ideological objectives."

Since November 1994, however, the government "has launched a major military and police mobilization in search of Zapatist militants in the Sierra Sur," states Wilfrido Mayen Pelaez, a priest who belongs to the Pastoral Commission of the Sierra Sur de Oaxaca Deanship, and who has been identified as a sympathizer of the Zapatist National Liberation Army (EZLN).

On 9 February of this year, badges were issued in the XXVIII Military Zone to 101 members of the Special Forces Air-Mobile Group (GAFE), 13 officers, and a commander after they went through a tactics course. They will now be operating in Oaxaca.

Dirty War

Violence, associated in particular with post-election conflicts, is on the rise in Oaxaca: In the last six months, 11 assassinations have been perpetrated with impunity. One such incident was the 25 September 1995 assassination of Nahum Carreno Vazquez, legal adviser to the Benito Juarez Autonomous University of Oaxaca (UABJO).

Armando Agustin Bonifacio, leader of the Union of Indian Communities of the Northern Zone of the Isthmus (Ucizoni), was gunned down in an ambush on 31 November in San Antonio Tutla.

On 19 January, the municipal president of Santiago Ixtayutla, Rigoberto Merino Ruiz, was assassinated.

On 26 March in Tuxtepec, 3,000 merchants, taxi drivers, ranchers, and other members of civil society staged a general strike to protest the invasions of lands, blockades, looting of businesses, physical assaults, and the hijacking of buses by the Popular Peasant and Worker General Union (UGOCEP) and the Party of the Cardenist Front for National Reconstruction (PFCRN).

On 20 April, the chairman of the Communal Property Council of San Lucas Atoyaquillo, Feliciano Riano Lopez, and two other peasants were ambushed and murdered by the caciques of the region.

Orlando Guerra Guerra, leader of the PRD Labor, Peasant, Student Coalition of the Isthmus (COCEI) in Santa Maria Xadani, was assassinated on 28 April by Mariano Guerra Lopez, a municipal president who belongs to the PRI.

Due to post-election conflicts, at least 47 townhalls were seized during the changeover of the 570 city governments, of which 416 were elected under the use and custom system.

The PRI won in 108 municipalities, but the PRD (with 35 municipalities) and the National Action Party (PAN) (with 11 municipalities) took 16 of the 20 main cities in the state, including the capital.

In the 12 November elections, a PRD member in Asuncion Ixtaltepec and a PRI member in Mazatlan Villa de Flores were killed.

On 1 January, Juvenal Martin Carrera, chairman of the municipal committee of the Revolutionary Youth Front in Jalapa de Diaz, was killed in a clash with members of the Alliance of Independent Organizations, which also wounded 10 people.

On 30 January, four persons were injured, two with gunshot wounds, right in front of the government palace, where there was a confrontation between COCEI-PRD activists conducting a sit-in and PRI activists of Juqila staging a demonstration.

On 23 March in San Pedro Amuzgos, PRI operatives seized the regional government delegate and two local deputies to demand the surrender of the townhall, which was being held by PRD members. Eleven of them were arrested, but the state government paid their bail.

On 27 March, there was a clash between PRD and PRI activists which left at least 20 injured and damaged the townhall of Tehuantepec.

On the same day in Mazatlan Villa de Flores, the Senate committee made up of Jorge Guadalupe Lopez Tijerina (PAN), Hector Sanchez (PRD), and Jose Murat (PRI) arrived to search for a political solution to the conflict, which had halted educational efforts at more than 30 workplaces for over four months. The committee had to flee when a shootout occurred.

One day later, the townhall of San Jose Tenango was sprayed with bullets, and 24 hours later there was a clash in Magdalena Tlacotepec between PRI and PRD members fighting over the management of the Ojo de Agua resort. One person died and six were wounded.

On 2 April, PRD activists kidnapped the former municipal president of Guevea de Humbolt, Heriberto Orozco Ramos, to pressure authorities to hold elections under the use and custom system.

During that time, the municipality main town of Santiago Yaitepec was under siege for more than 72 hours after a shootout between PRI and PRD operatives left one dead and two injured.

On 10 April, at the San Jose Rio Manso agency in the municipal jurisdiction of San Juan Lalana, there was a confrontation between UGOCEP and PRI members which killed one person and wounded two.

Seven months after the elections, there are extremely serious conflicts that could lead to violence in places like Juquila, Yaitepec, Jamiltepec, San Pedro and San Pablo Ayutla Mixe, Xadani, Mazatlan Villa de Flores, San Juan Coatzospan, Miahuatlan, San Jacinto Ocotlan, Guevea de Humbolt, San Sebastian Tutla, and San Jeronimo Tlacochahuaya.

Municipal authorities and community representatives began a hunger strike outside the Senate of the republic on 18 May to protest government-sponsored violence, ungovernability, and impunity.

On Wednesday, 22 May, the state government canceled a meeting with a delegation from the PRD National Executive Committee (CEN) and officials of those municipalities because "the strike was not called off."

Meanwhile, by agreement of the General Council of the State Electoral Institute and the state Congress, special elections scheduled for Sunday, 26 May in Asuncion Ixtaltepec and Mazatlan Villa de Flores were called off because "there are no guarantees or propitious conditions for voting."

However, the state's general secretary for internal affairs, Hextor Anuar Mafud, denied that there is ungovernability in Oaxaca. "What we have," he said, "are isolated acts of violence."

Senator Hector Sanchez, a potential PRD candidate for governor, says this about the governor: "Diodoro Carrasco was sponsored by high-ranking federal politicians. He came to power prematurely, without enough experience to govern. He thinks he is omnipotent, that he can decide whatever he wants and however he wants, so that even the PRI political class in Oaxaca has been excluded from government decisions. He has allied himself with a group of 'good old boys' who are very close to him, and who have never known what public administration or politics really means."

The worst possible outcome, according to him, is if Governor Carrasco "stays in his bubble," in which case Oaxaca could see outbreaks of violence, armed conflict, and a great mobilization, especially in the Indian communities, with objectives that are not economic but political: "the resignation or removal of Carrasco."

He thinks it will happen in "two or three months."

El Salvador

El Salvador: U.S. Said 'Responsible' for Labor Report

PA1906124496 San Salvador EL DIARIO DE HOY in Spanish 17 Jun 96 p 24

[Report by Marvin Portillo]

[FBIS Translated Text] The Salvadoran Workers National Union Federation (Fenastras) has accused the United States of being responsible for all the reports on labor law violations at the assembly plants located in the Central American region.

Juan Jose Huezo, leader of the federation, told the international media that the reports published last Friday in Geneva by the International Conference of Free Trade Unions Organizations (ICFTUO) as part of a campaign sponsored by the United States to provoke the closure of assembly plants in the region.

In a document entitled "The World Market, a Challenge for Labor Unions," divulged by the ICFTUO last Friday in Geneva, the ICFTUO says the new assembly plants established in the Central America's free zones represent "the new concentration camps."

Even though it admits that labor rights are occasionally violated in certain assembly plant industries, Huezo said this is "a necessary evil that we must try to regulate."

Huezo's statements are supported by various outstanding businessmen, who said they have information that the main violations to Salvadoran labor laws occur in assembly plants owned by foreign investors, particularly Asians.

Nevertheless, the businessmen, who requested that they remain unidentified, said the percentage of labor laws violations is minimal compared with the large number of people who work in the assembly plants.

Regarding this Juan Jose Huezo said that "many of those problems can be solved locally," provided there is good will between the government, the workers, and the assembly plant owners.

The ICFTUO's report on abuse against assembly plant workers said female workers are forced to consume amphetamines so they can work over 12 hours a day, and they are sexually abused and beaten by their bosses.

"These female workers' conditions in the assembly plants are almost prison-like," the IFCTUO asserts.

Nevertheless, Huezo revealed the report is part of one that was previously issued by the American Institute for Free Labor Development (AIFLD). The report, manipulated by local labor unions, supported a strategy aimed at closing work places in the region, to force U.S. enterprises to invest in the United States.

U.S. enterprises hired assembly plants to manufacture clothes and other products, providing the parts so they could be assembled and then re-exported to the United States.

The process allows investors to cut costs regarding the payment of salaries, because a Central American worker earns less than a third of a U.S. worker's salary.

This has provoked the closure of work centers in the United States, which led U.S. labor unions to finance campaigns against assembly plants installed in Central America.

The campaigns are aimed at slandering U.S. enterprises which hire assembly plant companies, accusing them of violating labor rights, a very sensitive issue for U.S. enterprises.

In a letter sent by Fenastras to the U.S. Embassy late in 1995, the labor federation reports that U.S. labor unions are afraid the Salvadoran assembly plant industry will reduce the number of jobs in the United States, when the actual cause for the closure of U.S. enterprises is the U.S. work force's loss of competitiveness against Far East nations.

U.S. labor unions currently support a similar campaign in Honduras.

The labor unions finance trips to the United States for one or more employees who were subject to some type of abuse by their bosses, so they can tell the media that the same fate is being suffered by thousands of Central American workers employed by the assembly plant enterprises.

A high-level delegation from the Honduran industrial sector traveled to the United States last week, to deny the reports on alleged abuses at the assembly plant enterprises installed in that country.

The Fenastras leader criticized the U.S. labor unions' fear about hard-working Central American workers, and he urged his fellow labor union members to struggle and strengthen the assembly plant industry in the region.

"The U.S. labor unions feel their industries are threatened and this is not so. That is why we must struggle to overcome this and strengthen the assembly plant industry for Central America's development, instead of magnifying the problems," the labor leader said.

Following the campaign sponsored by U.S. labor unions last year, approximately 20 assembly plants were closed, leaving approximately 15,000 people without a job.

Assembly plant exports totaled almost $657 million in 1995, and they provided jobs for almost 40,000 people, as well as registering an increase of almost 80 percent, which is the highest one in the industrial sector.

Guatemala

Guatemala: Military Code Said 'Modified' Not 'Eliminated'

PA1906193696 Guatemala City LA REPUBLICA in Spanish 15 Jun 96 p 3

[Report by Mynor Alfredo Cortez Estrada]

[FBIS Translated Text] Defense Minister General Julio Balconi Turcios said yesterday that the military code has not been eliminated, but that it has been modified. Common crimes committed by officers and soldier will be handled by civilian courts, and breach of military discipline will be handled by the military courts.

Balconi Turcios said "common crimes committed by soldiers will be handled by the regular courts, after the reforms bill drafted by the regular tribunals is passed; but the military code will always exist for military crimes."

The Armed Forces have their own laws, and these laws have been used to try military crimes since the founding of the Guatemalan Army. This situation is now being corrected by a decision taken regarding common crimes, according to Article 546 of the Penal Procedures Code.

Balconi Turcios acknowledged that trying common crimes in a military court in some way involved the Army in an alleged obstruction of the legal process, which will not occur in the future, "because of the simple fact that the accused and the judge were receiving a salary, it was believed that the trial was being compromised, which was not true. However, it will not be that way now."

Army Works Closely With Security Forces

National Defense Minister General Balconi Turcios said the Guatemalan Army has been working closely with the civilian security forces which has permitted them to inflict severe blows to organized crime.

"This support has permitted us to inflict severe blows to organized crime, capture kidnappers, and rescue a number of kidnapped victims. The Armed Forces' role has been to provide support; the civilian security forces have done most of the work and are in charge of turning over the criminals to the courts," Balconi Turcios said.

Honduras

Honduras: Reina on Electricity Rates, DEA, Drug Traffic

PA1906205696 Tegucigalpa Voz de Honduras Network in Spanish 1430 GMT 19 Jun 96

[Report by Jose Danilo Izaguirre; from "The Morning Paper" newscast — passages within quotation marks are recorded]

[FBIS Translated Text] Here are remarks by President Carlos Roberto Reina on the adjustments in electricity rates, the intention of certain sectors to increase the price of medicines, and the shortage of supplies the public hospitals are experiencing.

[Izaguirre] President Carlos Roberto Reina has said the necessary measures are being adopted to find the appropriate proviso to solve the problem triggered by the increase in electricity rates in the country. He also referred to other key topics such as the lack of medicines in the country:

[Reina] "We discussed this issue a long time ago and will continue to so. We will adopt the necessary steps to save the institution and will do everything possible to protect consumers."

[Izaguirre] These were the president's remarks about the increase in electricity rates. Here is what he has said about the lack of medicines:

[Reina] "A government that punishes its people would be an unscrupulous one. No government wants to punish anyone, except criminals. Criminals as well as any proviso detrimental to Honduras should be punished. If we review prices, we do so in an attempt to establish a basis, to disclose accurate news, and to prevent usury from making excessive profits from the needs of patients. This endeavor benefits those who are sick and society in general, as it attempts to ensure that hospitals will have enough medicines."

[Izaguirre] As for his earlier remark that electricity rates would not be increased, President Reina has said:

[Reina] "I would never say such a thing, because the viability of the institutions depends on this. They need to stay profitable. What I did say is that I have done everything within my power to keep taxes as low as possible. I urge you to compare this 7 percent with sales taxes imposed throughout Central America, something which no one talks about. We are only charging half of what is charged in other Central American countries.

[Izaguirre] "What about talks of projects to have the DEA take actions in Honduran territory to control drug trafficking? What is your opinion on this matter?

[Reina] "Why can't this issue be viewed from a positive angle? This is about countering drug trafficking. Don't you agree?

[Izaguirre] "Yes sir."

[Reina] "The ones who keep quiet about this do not agree with my view. Those people want drug trafficking to thrive in Honduras.

[Unidentified reporter] "Isn't this a violation of our sovereignty?

[Reina] "This issue has not been discussed yet. I will never allow any abuse against our country's sovereignty. How could I ever allow this if I would give my entire life to defend our sovereignty and human beings? We must sit at the negotiations table and find a solution to the problem; that is, drug trafficking and the pernicious influence of drug-related money; this is my position."

Nicaragua

Nicaragua: Armed Groups Kidnap CSE Officials in Jinotega

PA1906231096 Mexico City NOTIMEX in Spanish 2019 GMT 19 Jun 96

[FBIS Translated Text] Managua, 19 Jun (NOTIMEX) — Government sources reported that an armed group today kidnapped 60 persons in northern Nicaragua; 52 of those kidnapped are employees of the Supreme Electoral Council (CSE), the entity in charge of organizing the 20 October general elections.

The kidnapping took place at 1100 (1700 GMT) in Wiwili, Jinotega Department, approximately 200 kms north of Managua, CSE President Rosa Marina Zelaya told reporters.

"A peace commission left for Wiwili to negotiate the hostages' release with the paramilitary group, which is apparently headed by a man calling himself 'El Licenciado,' ['The Graduate,' not further identified] Zelaya stated. [no end quotation marks as received]

The CSE employees were on their way to Managua to deliver material that was left over from the citizen registration process conducted during the past three weekends in 26 municipalities in the country's north, she explained.

"It seems the armed men are asking the army to withdraw from some areas," Zelaya stated, stressing the CSE's concern over the incident.

"The electoral process has been positive so far, except for the (temporary) kidnapping of U.S. (observer) Cindy Garzony [name as received] and the jamming of the news media we have to transmit the results of the registration process," she added.

Approximately 500 armed men, organized in groups of 50 gangs described as criminal by the authorities, are operating in the country's northern region.

Zelaya announced that she was getting ready to meet with Army Commander in Chief General Joaquin Cuadra Lacayo and National Police Commander Fernando Caldera to learn details of the kidnapping.

The official talked to reporters shortly after returning to Nicaragua from the United States.

Zelaya was a member of a government delegation that met these past two days with the Consulting Group of the Community of Donors, which guaranteed aid of $1.8 billion for Nicaragua for the 1996-1998 period.

Nicaragua: Police Confirm Electoral Officials' Kidnapping

PA1906231896 Managua Radio Nicaragua Network in Spanish 2238 GMT 19 Jun 96

[FBIS Translated Text] Last night, 40 persons, including electoral policemen, party poll representatives, presidents, and members of Vote-Counting Boards were kidnapped by an armed band headed by a former policeman and member of the 3-80 Northern Front known as El Licenciado.

We repeat: Forty persons, including electoral policemen, party poll representatives, presidents, and members of Vote-Counting Boards were kidnapped last night at 2000 by an armed band headed by a former policeman and member of the 3-80 Northern Front known as El Licenciado.

The officials of the Vote-Counting Board, who worked in Wiwili for several weekends during the registration process, were kidnapped in a place known as (Somotine), located some 70 km north of Wiwili, a municipality in Jinotega Department.

The police did not learn of this incident until this afternoon. The kidnappers are still holding this group of persons. The motive for this action is still unknown.

According to the police in Jinotega, this kidnapping occurred a few hours after a clash between army troops and members of an armed band headed by Pajarillo, which operates in that area.

Nicaragua: CSE Head Urges Cardinal, CIAV-OAS Mediation

PA2006013796 Managua Radio Nicaragua Network in Spanish 2340 GMT 19 Jun 96

[FBIS Translated Text] The kidnapping of 51 members of the Supreme Electoral Council [CSE] who worked in the Vote-Counting Boards in Wiwili area, in the northern part of the country, has been confirmed. The 51 members of the CSE's Vote-Counting Board who were kidnapped include 38 men and 13 women, along with five helmsmen who were operating the small boat in which they were traveling to Managua bringing electoral material from that area.

The members of the CSE were kidnapped by Luis Alberto Rivera Herrera, alias El Licenciado, who took them to Honduras. They are currently 3 km inside the Honduran border and are demanding that Army troops immediately withdraw from the Coco River area. They are also demanding the creation of a commission by the Honduran and Nicaraguan Governments to negotiate the release of the hostages.

Meanwhile, the CSE has contacted his Eminence Cardinal Miguel Obando y Bravo to request his mediation in this kidnapping, as well as with Sergio Caramana, chief of CIAV-OAS [International Support and Verification Commission-OAS]. Here is CSE President Rosa Marina Zelaya, who will give us more details on the kidnapping.

[Begin Zelaya recording, broadcast in progress] ...arrive in the country, I was informed [word indistinct] about the kidnapping of 51 workers and officials from the CSE who were coming down the Coco River to bring voters lists and [word indistinct] material from the electoral registrations held on past weekends. They were kidnapped by a man who calls himself El Licenciado.

I have just spoken to General Joaquin Cuadra [commander in chief of the Army] who has told me that the CSE officials were taken to Honduran territory. They are basically demanding two things: one, that the Army withdraw from that part of the Coco River, and two, the creation of a commission with which they want to hold talks, made up of members of the Honduran and Nicaraguan Government. In exchange, they would release our officials and workers. Obviously, we are very concerned about this situation, which you can see is dangerous. The CSE workers and officials are deployed all over the country; they are extremely selfless, disciplined, and responsible people, and we are certainly worried about their lives and safety.

At this time I am contacting His Eminence Cardinal Miguel, as well as Sergio Caramana, of the CIAV-OAS to request their mediation in order to obtain the release of our officials. I have told them we are worried about the lives and safety of this group of heroic CSE workers, who in performing their duties, were traveling in a small boat down the Coco River bringing voters lists and electoral material from the CSE. [end recording]

Nicaragua: Army Reports Electoral Officials' Kidnapping

PA2006021196 Managua Radio Nicaragua Network in Spanish 0007 GMT 20 Jun 96

[Statement by Army Spokesman Colonel Jose Garcia Estrada in Managua — recorded]

[FBIS Translated Text] We want to report that troops of the Nicaraguan Army's Special Operations Command clashed with the band led by Mario Rivera Herrera, alias El Pajarillo, and his brother, Luis Alberto Rivera Herrera, alias El Licenciado, yesterday at 1800 in Jinotega Department, 19 km [words indistinct] and 7 km northwest of Wiwili.

As a result of this clash, the band led by El Pajarillo withdrew and fled into Honduran territory. The band opted to seek shelter in Honduran territory given the Special Operations Command troops' superiority and successful combat.

El Licenciado, meaning El Pajarillo's brother, kidnapped 51 Supreme Electoral Council [CSE] members from Wiwili Municipality this morning. They were coming from San Andres de Bocay to Wiwili, and they were bringing electoral material.

These people were led by the criminals into Honduran territory, where they remain right now. They are 3 km from the border, 10 km northwest of Wamblan. Our troops have been deployed along the Coco River's banks.

El Licenciado has sent a message stating two demands. The first demand is the withdrawal of the Nicaraguan Army troops deployed along the Coco River's banks. The second demand is the creation of a Honduran-Nicaraguan commission to negotiate the hostages' release.

The Army has notified the government, the Foreign Ministry, and the CSE about this situation so they can discuss and analyze the situation and adopt the necessary measures.

We consider that, under these circumstances, the Army cannot adopt a decision regarding a withdrawal. This is not our decision to adopt. If the government decides to order the troops' withdrawal due to the humanitarian situation involving these persons, this will be analyzed.

Basically, this is something that concerns the government.

Nicaragua: Small Parties' Prospects Viewed

96CA0213A Managua LA PRENSA in Spanish 26 May 96 p 7

[Commentary by Adolfo Miranda Saenz: "Why Are the Small Parties Competing?"]

[FBIS Translated Text] There are over 30 political parties on Nicaragua's electoral stage. All of them have an ideological line that is quite close either to the Liberal Alliance headed by Dr. Arnoldo Aleman or to Daniel Ortega's Sandinist Front. Yet they insist on keeping themselves apart, even though they have no chance of winning either a first or a second place in the election contest. So why do the small parties run?

Some months ago the percentage of undecided voters—according to the polls—was higher than the percentage who supported either of the two leaders—the liberals and the Sandinists. Such a large percentage of undecideds was a source of possible political support for those who hoped to become what they called a "third way." But now the number of undecideds has dropped to 12 percent, much lower than the 40 percent for the Liberal Alliance and 20 percent for the Sandinist Front. Nevertheless, capturing part of that percentage of voters and keeping alive the hope of taking away votes from either of the two who occupy the lead continue to be a goal for those who are attempting to become the third political power in Nicaragua.

Even though it cannot win the presidency or a majority in the National Assembly, or even a considerable number of deputies' and mayoral seats—as whatever party is in second place could—being party number three would offer some negotiating options in Parliament when a strong majority is needed to reform the Constitution or to pass laws with constitutional status.

But there are other reasons for running. Some people may be motivated by a feeling of resentment toward one of the two major competitors, believing for some reason that in these major parties they were not given the place they think they deserve. Others run from a spirit of simple vanity, since being the focus of public attention with their image projected on television screens and in newspaper and magazine photographs, and hearing their voice on the radio, is a source of fascination which some people cannot resist. And some people have enough money to pay for that very expensive pleasure! Finally, there are reasons related to pesos and centavos, since our Electoral Law provides that each party that runs will receive government funds for its campaign.

So far we have seen that the only contenders with chances of winning are the liberals and the Sandinists. On this point, two things need to be made clear. First, based on the latest polls, the Liberal Alliance has almost doubled its lead over the FSLN [Sandinist National Liberation Front]. Secondly, within the Liberal Alliance there are, in addition to the four liberal parties: the largest segment of the PLI [Independent Liberal Party]; a strong conservative sector led by Jose Castillo Osejo; a large sector of the recently formed Party of the Resistance headed by Fabio Gadea Mantilla; the PUCA [Central American Unionist Party]; and the CAUS [Federation of Union Action and Unity].

In this group of parties within the Liberal Alliance, one party predominates because of its level of organization and drawing power: the PLC [Constitutionalist Liberal Party], whose president is the candidate Dr. Arnoldo Aleman. That one party should stand out or predominate is a positive factor, for it will lend coherence and stability to the government that arises from the alliance, averting the danger that the government might be weakened if the alliance split up. Let us not forget the bad experience of UNO [National Opposition Union], which — as its parties had not competed in a preliminary election contest or in polls, and all of them were considered more or less equal — ended up disintegrating, left without any force. From that perspective, the leadership of the PLC guarantees a coherent government, without underrating the other allies. This leadership is based on a number of factors: the popularity of its leader Arnoldo Aleman; its victory in the regional Atlantic Coast elections; its high level of national organization; and being number one in all the opinion polls.

Until quite recently the third force, with eight percent in the polls—far below the 40 percent and 20 percent of the two leaders—was Arriba Nicaragua, led by Alvaro Robelo, whose highly public decline—because of the constantly growing rumors of supposed involvement with the Italian mafia, the split with his number two man Jose Pallais, the conflicts in which the bank of which he is president has been involved, and some other serious problems in which he has been implicated—lead us to assume that that third place will now be occupied by another of Nicaragua's small parties.

Considering the fact that nine parties (led by people like Sergio Ramirez, Virgilio Godoy, Eden Pastora, Miriam Arguello, Antonio Lacayo, and others) have failed to form a coalition, the splintering and dispersion of the small parties means that the, third spot — no matter who occupies it — will not really be significant, and will not be very far from the fourth or fifth spot.

Orthodox Sandinism and the liberals and their allies in the Liberal Alliance continue to be almost unreachable. The other parties do not offer distinct options that are sufficiently appealing. Sergio Ramirez and Eden Pastora offer versions of Sandinism; Haroldo Montealegre and Virgilio Godoy are variants of liberalism. All of them head small groups that—with differing nuances—represent the same line as the FSLN or the Liberal Alliance. Why should people support these small leaders when there are strong leaders like Daniel Ortega or Dr. Arnoldo Aleman?

Moreover, the Social Christians have never had a strong foothold or much popularity in Nicaragua, and the conservatives feel—at least a large segment of them—that they are represented by the leadership of Arnoldo Aleman, since with Marxist Sandinism as a major adversary, the old divisions between liberals and conservatives now seem to be part of history.

The leaders of the small parties know this, though with the chance of winning at least a minimum of votes guaranteeing them one deputy and keeping their legal status alive, they are not going to withdraw from the political arena. In the end, after 20 October, of the more than 30 parties that exist today, only a very few will survive. Of these parties, of the survivors, those that are members of the Liberal Alliance and the orthodox Sandinists will remain, with one in office and the other as a respectable opponent. The others will have very little political weight.

Panama

Panama: Editorial Views U.S. Military Bases, Relations

PA1906162196 Panama City LA PRENSA in Spanish 17 Jun 96 p A47

[Editorial by Ricardo A. Eskildsen Morales: "The Issues of Relations With the United States and the Military Bases Return Again"]

[FBIS Translated Text] With this week's arrival in Panama of politicians and diplomats from all over the continent to attend the OAS General Assembly, our image as a democratic and independent nation is strengthened. The visit by Strobe Talbott, U.S. deputy secretary of state, along with (Thomas McArty), President Bill Clinton's personal aide responsible for the success of the Summit of the Americas held in Miami in late 1994, is equally honorable.

Those of us who have carefully followed Panama's future in light of the North Americans (taking into account more than 90 years of alliance) are pleased the issue of the bases is reemerging thanks, this time, to Mr. McArty. The position of the U.S. official is cautious and clearer by the day. McArty has stressed the U.S. aspiration to comply faithfully with the 1977 Panama Canal treaties and has emphasized the opportunity Panama has to make tangible, new, and different post-treaties relations with the United States insofar as Panamanians request it.

Now that we have the first economic study conducted by Marcos Fernandez and Jose Galan Ponce entitled "Economic Evaluation of the Withdrawal of Military Bases," we can "officially" know that the annual, economic losses will exceed $205 million when all the U.S. military bases are withdrawn by the year 2000. Certain critics believe, however, the approach must not necessarily focus on economic aspects, because they see that economists favor the alternative of a smaller presence by U.S. soldiers to resolve merely economic aspects. Criticisms are welcomed, because all of us must voice an opinion to educate and guide the government. It has been rightfully stated that this issue pertains not only to the government; it is an issue of "national interest." There are other citizens who would rather wait and see how the 32,000 hectares of primary forests, along with homes, access roads, schools, churches, and golf and tennis courts will be managed and how the water basin, which produces the world's best water, will be protected.

While we wait for the perfect vision, the exploratory talks on the issue of the bases, which President Clinton originally proposed to President Ernesto Perez Balladares on 6 September 1995, are not moving forward. It is being said that the negotiators have failed to clearly present their national interests. Some talk about the Horoko Complex, which includes Howard Air Force Base, as an area of interest for North Americans to continue with their humanitarian aid to the region and the fight against drug trafficking. The Panamanians who are negotiating have demanded to lease this area for money and also have limited the residential use of other areas that will revert, such as Clayton's residential areas.

The leasing issue did not prosper and has stagnated the talks, because North Americans will not be able to justify the payment of money to the government amid the closing down of bases in their own states in an effort to control the inflated military defense budget now that the Cold War has ended. The negotiators are seeking other alternatives to continue moving forward. We hear that for the future use of Panamanian areas, the United States should make payments in kind (tangible goods) to Panama, for instance, a commercial agreement, a most-favored-nation status (Israel-style or U.S.-style), and so on.

Historical reality forces our government to be cautious and even passive so as not to make regrettable mistakes. The Panamanian delegation to the OAS proposed last week to include a resolution guaranteeing the intent of the fight against drug trafficking and also proposed a multinational use (all 106 countries in the region) of Howard Air Force Base. As our government ignores the fact that the economic capability and technology of the use and maintenance of satellites, radars, sophisticated air equipment, and human resources pertain exclusively to the North, it has sent confusing signals to the negotiations being held. The potential future benefit for our nation, which constitutes its only arm of negotiation due to its geographical position, is automatically diminished. In light of these confusing signals, North Americans continue with their reversion calendar. The Southern Command's transfer to Miami in 1997 is an irrevocable fact. It seems that the students of the FER [Revolutionary Students Front] 29 and other groups that, given their nature, will oppose this and any other issue of national significance have been able to make the government lose scope and not define what will be the strategic alliance with North Americans after the year 2000.

Many of us will keep stressing that the best security for users of the Panama Canal and potential investors in reverted areas is a strong and democratic government that could guarantee with clear rules the correct use of our territory in light of the drug-trafficking scourge and the corruption stemming from it.

Panama: Minister Argues Amnesty International Report

PA1906210196 Panama City ACAN in Spanish 1911 GMT 17 Jun 96

[FBIS Translated Text] Panama City, 17 Jun (ACAN-EFE) — Panamanian Presidency Minister Raul Arango today expressed "surprise" over the Amnesty International (AI) report that was recently released in London. "Personally, it (the AI report) comes as a surprise. Panama is exercising a level of freedom and democracy that is acceptable to every country on the continent," Minister Arango told ACAN-EFE on 17 June. AI denounced the "abuse" that individuals who were arrested during the strikes and protests of August 1995 received. Construction workers had demonstrated against the Labor Code reforms that President Ernesto Perez Balladares' government backed. AI recalls that four workers died, even though the government has directly attributed only one death to the strike. AI also denounces Chiriqui Province judges for convicting Gnoble Bugle (Guaymi Indians) men, women, and children who were arrested for demonstrating to have their lands returned to them. The judges sentenced them to "shackling" with branches for five continuous days on account of misdemeanors charges or for being unable to pay their fines. The presidency minister insisted that "there is an extraordinary degree of communication and positive relations" between President Perez Balladares and the Indians, adding that "the president has even built homes for the Guaymies in a region reserved specifically for them" in an area near the Costa Rican border. "I fail to understand what could have prompted AI to react in such a manner," the presidency minister stressed.

Panama: President Urges Rapid Banaico Case Investigation

PA1906205996 Panama City Circuito RPC Television in Spanish 2300 GMT 19 Jun 96

[Report by Alexander Calderon; from the "RPC Television News" newscast]

[FBIS Translated Text] Once again the Banaico [Agro-Industrial and Commercial Bank, Inc.] case returns to the spotlight, this time with a request by the executive branch to the judicial branch to expedite the investigation into this case that has extended beyond the country's borders.

In a note to Attorney General Jose Antonio Sossa, President Ernesto Perez Balladares requested all phases of the Banaico investigation to be expedited following reports by domestic and international publications linking Acting Foreign Minister Ricardo Alberto Arias, and Alfredo Aleman, former member of the board of directors of the National Bank of Panama, to the case.

The president stresses in his note that he will facilitate the Office of the Attorney General with whatever human and financial resources may be required to carry out an in-depth inquiry that will lead to the truth.

In the meantime, the attorney general pointed out that the recent release of Manuel Salvador Morales, Bruno Bemporad and Maritza de Matadem, Banaico's, all members of the board of directors, should not be construed as a setback in the investigation and stressed that there is sufficient evidence to continue the proceeding against the three accused.

[Begin Sossa recording] I have not yet read the court's release resolution, but it is my understanding that they left the doors opened to the likelihood of a reconsideration insofar as we are able to come up with more evidence, which we intend to do. [end recording]

On the other hand, defense attorneys for the three bank directors claim that proving their client's innocence will be as easy as it was to obtain their release since there is no evidence or audits proving the alleged irregularities of which they are being accused.

[Begin recording] [Attorney Jose Alberto Alvarez] The auditors commissioned by the lawyers of the suspects are currently at the bank preparing a report to determine the real situation of the bank's financial standing. This report will include concrete evidence to rebut each and every one of the charges. [end recording]

The Banaico directors, who are being accused of embezzlement and conspiracy to commit a crime, will now have to return regularly to the Prosecutor's Office since the resolution ordering their release still maintains precautionary measures against each of them.

Panama: BNP Rejects Financial Instability Allegations

PA1906231996 Panama City Circuito RPC Television in Spanish 2300 GMT 18 Jun 96

[Report by Hugo Enrique Famania; passages within quotation marks recorded; from the "RPC Television News" newscast]

[FBIS Translated Text] Questions continue to be raised with respect to the financial stability of the National Bank of Panama [BNP], and this has become a matter of a public controversy between the government and the opposition.

Currently, bank management has been making favorable pronouncements, saying the institution is currently at its best moment; however, there are still those who, like opposition leader Delia Cardenas, continue to forecast problems in the future because of the manner in which the public loan portfolio is being handled.

As Hugo Enrique Famania explains in the following report, both sides staunchly defend their respective positions based on concrete figures.

[BNP General Manager Jose de la Ossa] "I believe it is hazardous, as well as reckless, to seek political notoriety by making allegations questioning the bank's financial statements."

This is what the BNP manager believes in commenting on recent statements by former Planning Minister Delia Cardenas with respect to the bank's financial stability. Cardenas criticizes the manner in which the bank has been granting loans to several government agencies.

[De la Ossa] "Doubts are being raised with respect to a bank that is owned by all Panamanians. Never in its 91-year history has the bank been in such a financially strong and solid position as it is today."

The BNP official based his comments on official comparative figures included in the bank's last financial report covering the period from May 1994 to May 1996. Among other things, the bank manager explained, loans to the public sector decreased by 10.2 million balboas during the time period. Then, the official asked, what is the real intention behind Cardena's allegations?

[De la Ossa] "To resurrect her fallen political image, which would politically revive her, allow her to appear in the news, in the newspapers, whatever."

[Cardenas] "Do you really believe that I need to say something like this just to get an interview? I do not." According to the former minister, her intention is not to denigrate anyone or to smear reputations, but to reveal a reality that appears printed in the official gazette itself.

[Cardenas] "The state is requesting loans from the BNP, which in turn is charging it to a loan arranged with the International Commercial Bank of China."

The loan alluded to is a $50 million loan to be repaid in 15 years. However, what troubles Cardenas the most is the formula being used by the BNP to record this domestic transaction.

[Cardenas] "This loan represents a debt for whatever future administrations come into office, and I believe it is a situation that should be handled very carefully."

Despite the arguments and figures being handled or how right each side may be, the fact is that this dispute opens a new front in the political confrontation between the government and the opposition that has heated up during the past few months with issues that range from the amnesty to the ghost of drug-trafficking funds in the 1994 election campaign.

Panama: Lawyer Files Suit Against ARI for Violating Law

PA1906193996 Panama City LA PRENSA in Spanish 17 Jun 96 p 33A

[FBIS Translated Text] Lawyer Rolando Villalaz accused the Interoceanic Regional Authority (ARI) of selling homes in Fort Espinar (Colon) "violating the procedure established in its own law, and the appraisal of these homes has not been carried out as specified by the Fiscal Code."

In view of these alleged irregularities, Villalaz, a partner of the Villalaz and Associates law firm filed a law suit on 29 March relating to actions under the administrative law to annul all the public acts carried out by the ARI regarding bids to buy homes in the Espinar residential area.

In a 23 May verdict, Mirtza de Aguilera, magistrate of the third court of appeals, ruled the suit was not admissible because Villalaz asked for all the ARI public acts to be nullified, and he was not specific enough about the alleged wrongdoing as required by Article 43, Law 33 of 1946.

Argentina

Argentina: Senate 'Strongly Repudiates' Helms-Burton Law

PY2006032196 Buenos Aires TELAM in Spanish 2220 GMT 19 Jun 96

[FBIS Translated Text] Buenos Aires, 19 Jun (TELAM) — Tonight the Senate approved a draft declaration "repudiating" the law approved by the U.S. Congress tightening the economic, financial, and commercial blockade against Cuba.

The Senate unanimously discussed an initiative resulting from two proposals submitted by Justicialist Senators Eduardo Menem and Antonio Cafiero.

The draft states that the Argentine Senate "strongly repudiates" the Solidarity with Cuban Liberty and Democracy, approved by the U.S. Congress, which is known as "Helms-Burton."

The initiative also requests the executive branch to adopt the necessary measures to express the Argentine disagreement with the U.S. law before international forums.

In justifying the proposal, Menem said that the law approved by the U.S. Congress "violates norms that should exist among sovereign nations ruled by the public international law."

Menem said that "to impose a comprehensive punishment on the Cuban people, through the implementation of the approved law, is "not in keeping with the upheld determination of helping the Republic of Cuba move towards pluralist democratic practices."

Argentina: OAS Assembly, Helms-Burton Law, NAFTA Viewed

PY1906200996 Buenos Aires CLARIN in Spanish 15 Jun 96 p 20

[Editorial: "The OAS, the Market, and the Cuban Blockade]

[FBIS Translated Text] The 26th OAS General Assembly was held in Panama last week. It was the forum for the hemispheric rejection of the escalation of the U.S. blockade on Cuba through the enforcement of the Helms-Burton law by the U.S. Government.

Two elements swayed this rejection which propelled the OAS into an unusual leading role, after condemning the one-sidedness and the "extraterritorial effects" of the sanctions on Cuba.

On one hand, international law was used to highlight the negative effects of the law which was approved by the U.S. Congress and which affects any company or country marketing products in Cuba.

The Republican Party-sponsored law, enacted by the Democrat administration in retaliation over the downing of two small aircraft operated by Cuban exiles, retroactively extends the deadline for filing claims on confiscated properties or on any deal involving them to 1959. This is an attempt to discourage foreign investors, thus increasing the financial troubles of the Cuban Government.

Nevertheless, the effect has been counterproductive: The United States has become isolated within the OAS, which believes the Helms-Burton law violates international law and does not contribute to the democratization of Cuba.

On the other hand, the vicissitudes of NAFTA have led the Mexican and Canadian partners to fear an ideological protectionism that is at odds with the free flow of capital and the exchanges with an insular market with its gates half open to investors.

In light of this power play, the Cuban Government is taking a series of measures to favor free trade zones within the framework of last year's foreign investments law. Even the background of the Helms-Burton law shows an economic interest by Cuban exiles in deals by third-countries with the island.

Even though it is not possible to foretell if such a market economy opening will lead to a political opening in Cuba, it is possible to note that the anti-Cuban law enacted by the United States is at odds with these goals and has paradoxical effects.

Argentina: Justicialist Party Executive Board Installed

PY1906173396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0100 GMT 19 Jun 96

[FBIS Translated Excerpt] Buenos Aires, 18 Jun (NA) — The executive board authorities of the Justicialist Party [PJ] were installed tonight. They will play a key role in designing the ruling-party's strategy prior to the 1997 congressional elections and the 1999 presidential elections.

With the conspicuous absence of Buenos Aires Governor Eduardo Duhalde, the installation ceremony of the new PJ leadership for the next four year period was headed by President Carlos Menem, who was installed as PJ president. Menem will probably request leave of absence as PJ president in the next few days.

Duhalde was formally installed as PJ vice president, PJ Senator Eduardo Bauza was installed as secretary general, Ruben Marin was installed as PJ first vice president, Carlos Reutemann was installed as PJ second vice president, and Adolfo Rodriguez Saa was installed as PJ third vice president. [passage omitted]

Bolivia

Bolivia: News Summary for 17 Jun

96CA0211A (Internet) Bolivian Social Communications Ministry WWW in Spanish 17 Jun 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt] [passage omitted]

Political News

President to Decide on Government Coalition

Today President Gonzalo Sanchez de Lozada will hold an important meeting with leaders of the political parties in the government coalition to consider the situation created by the announcement of MBL [Free Bolivia Movement] that it will withdraw from the coalition if the MNR [Nationalist Revolutionary Movement] persists in its coverup of deputies implicated in the 'sobredietas' [congressional corruption scandal in which deputies tried to lengthen their government service time to qualify for larger longevity bonuses] case.

Last Friday the foreign minister and president of MBL, Antonio Aranibar, stated that his party will not cover up corrupt acts by the Chamber of Deputies, and said that they are prepared to leave the government coalition if those irregular actions persist.

MIR Deputy Accuses MBL

MIR [Movement of the Revolutionary Left] Deputy Hugo Carvajal has charged that NGOs [Non-Governmental Organizations] administered by the MBL provide the financial backing for that party, and he said that Congress should investigate this situation.

He said that the top leaders of the NGOs are MBL leaders, a party headed by foreign minister Antonio Aranibar, and when that is not the case, they put in "straw men; this is a case of political corruption, of false morality on the part of political pharisees."

MBL Denies NGO Use

Deputy Miguel Urioste emphatically denied the print media report which claims that a network of 32 NGOs which the MBL allegedly controls all over the country may serve as sources of economic and political support for the party.

Urioste denied that the Free Bolivia Movement owns any NGOs or that it in any way makes use of them through their economic resources, political perks, or influence of any nature. He did acknowledge, though, that some MBL members active in the party work for or founded this type of social organization. [passage omitted]

Coca Eradication in the Chapare

The minister of government has announced that to date 2,700 hectares of coca planted in the Chapare region have been eradicated voluntarily in return for compensation. This figure represents 45 percent of what was scheduled for the present period.

The national secretary for social protection, Victor Hugo Canelas, said that 94 hectares of new coca plantings have also been eliminated, along with 10,000 square meters of coca seedling nurseries.

Based on the official data, the reduction of these 2,700 hectares entailed payment of $6.75 million. Compensation is paid at a rate of $2,500 for each hectare eradicated.

Jaime Paz Again Target of FELCN Investigation

FELCN [Special Antinarcotics Force] will once again investigate former President Jaime Paz and his sisters Edith and Rosario because of their connection with the deceased alleged "kingpin" Isaac Chavarria Diez de Medina.

Sources from the organization said that the investigation will be resumed because of statements made by Edgar Fernandez Lazcano, a former confidential employee of Chavarria, on Wednesday, 5 June on the Fides radio station.

Article 60 Negotiations Resume

On Thursday, 20 June, the departments, represented by their members of Parliament, government officials, and civic leaders, will once again attempt to work out an agreement on the Constitution's controversial Article 60 concerning the election of uninomial deputies.

On Tuesday, 11 June, the regional representatives met with the president of Congress, Victor Hugo Cardenas, but that meeting was limited solely to hearing the positions of the departments which are demanding that the present number of their deputies to the Lower Chamber be respected, and the departments which maintain that the number of their representatives should be increased. [passage omitted]

Major Antidrug Operation Produces Few Results

The antinarcotics police conducted a huge operation in a number of areas of the Chapare, but its minimal results did not meet the authorities' expectations, as only small quantities of drugs were seized and no arrests were made.

The national secretary for social protection, Victor Hugo Canelas, reported that the police actions were conducted on Friday in Chimore, Villa Tunari, Isinuta, San Jose, and Isiboro. [passage omitted]

Social News

COB Congress to Open in Trinidad

Top union leaders will open the 11th Congress of the COB [Bolivian Labor Federation] in Trinidad today. In their political and union debates they will determine the future course of the Bolivian labor and campesino movements.

This democratic congress will be attended by a wide variety from the world of labor: miners, manufacturing workers, railroad workers, construction workers, petroleum industry workers, bakers, campesinos, rubber industry workers, teachers, salaried drivers, students, retail merchants, handicapped workers, health care workers, crafts workers, journalists, broadcast journalists, periodical vendors, etc. [passage omitted]

Economic News

Weight of Foreign Debt Declines, Says Finance Minister

There have been substantial improvements in the weight of Bolivia's foreign debt, and today the debt service is at quite manageable levels, said Finance Minister Candia.

There have been times when Bolivia's foreign debt was equivalent to 120 percent of its Gross Domestic Product, but today it is between 68 and 70 percent; this represents a notable decline in the size of the foreign debt, he pointed out. [passage omitted]

Bolivia: Capitalized Enterprises To Invest $241 Million

96SM0359A La Paz LA RAZON in Spanish 29 May 96 p B4

[FBIS Translated Text] The four capitalized public enterprises will invest $241 million by the end of 1996, an amount which is 380 percent higher than the average investment over the past five years, which totaled $62 million. This was announced on 28 May by Minister of Finance Fernando Candia.

The minister stated: "Investment by the capitalized enterprises is now up to the private sector." He also pointed out that the effects of the change taking place in the country will be felt in economic growth, which this year is expected to be 4.0 percent.

In 1995 the government succeeded in capitalizing the following, national enterprises: ENDE [National Electricity Company], ENTEL [National Telecommunications Company], ENFE [National Railway Company], and LAB [Lloyd Bolivian Airlines], in which more than $836 million were committed to be invested. The process remains to be concluded in the case of YPFB [Bolivian Government Oil Deposits Company] and the Vinto Metallurgical Company. The government anticipated that investments in these two companies would amount to about $2.0 billion over a period of several years.

In 1990 the four capitalized enterprises invested an average of $53.4 million. In 1995 they invested $47.5 million. Investments for which commitments have been entered into but which still must be made by private investors during 1996 will be almost 500 percent higher than in 1995, the minister said.

Since the promulgation of Law 21060 in 1985 the Bolivian state has notably reduced the flow of resources into investments in public enterprises. In trade union circles this was considered a slow process of strangulation of the state enterprises to justify their transfer to the private sector.

Promising Future

According to Minister of Finance Candia, the future prospects for capital investments is generating great expectations, since a total of $836 million has been committed to these investments over the next few years. Of the four capitalized enterprises ENTEL has the largest commitment, with $610 million to be invested over the next six years.

In addition to these investments in the capitalized enterprises Bolivia will also have the support of multilateral organizations, which will provide $725 million between now and 2000 in support of the "Strategy of Productive Change in the Agricultural Sector." As a result, the government is confident that the country will reach a rate of growth of 6.2 percent in the new century.

Candia said: "This growth will be possible with greater participation by the private sector, which is assuming a leadership role in this connection."

Investment in Capitalized Enterprises
(in millions of dollars)

Year	Total Amount
1990	53.38
1991	66.37
1992	93.27
1993	70.78
1994	42.36
1995	47.52
1996	241.0

Source: UDAPE [Economic Policy Analysis Unit]; 1996 figure is a projection

Public Investment

Candia pointed out that, although the state is steadily moving away from productive activity, its role in investment is important and also strengthens the economic growth of the country.

According to data from the Ministry of Finance, during the first quarter of 1996 public investment was 10 percent higher than in the same period of 1995. Candia added that if the capitalized enterprises are not considered, public investment increased by 25.4 percent during the first quarter of 1996.

Candia continued: "This figure of 25.4 percent is a very important index of growth in investments which provides a basis for hoping for a rate of growth of more than 4.0 percent" in 1996.

Brazil

Brazil: Provisional Measure on Car Import Tariffs Modified

PY1906201396 Sao Paulo GAZETA MERCANTIL in Portuguese 17 Jun 96 p A4

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] The Provisional Measure (MP) that regulates the automobile sector was reedited on 11 June with two modifications: car and autoparts manufacturers will import 50 percent of their raw materials at low tariffs, while the equipment imported under the MP must be used exclusively for each enterprise's own productive process.

Antonio Sergio Mello, industrial policy secretary of the Ministry of Industry, Commerce, and Tourism, has said the limit on imported raw materials was set to prevent a concentration on specific products.

Through the original MP, the government compelled beneficiaries to import 50 percent of their raw materials. Car and autoparts manufacturers must now import 50 percent of each component.

The other modification reflects the concern of the Industry and Commerce Ministry that equipment imported with tariffs reduced by 90 percent may be used only for the productive process within the enterprise, and for no other purposes.

Today and tomorrow, representatives of the Industry and Commerce Ministry will hold the first round of negotiations with the Japanese Government on this MP. Jose Alfredo Graca Lima, chief of Itamaraty's economic department, will preside over the meeting. Japan will be represented by officials of its Foreign Ministry and of the Ministry of International Industry and Commerce.

Brazil: Car Import Tax Lowered on Japanese Cars

PY1806174896 Rio de Janeiro Rede Globo Television in Portuguese 1030 GMT 18 Jun 96

[Commentary by Ana Paula Padrao]

[FBIS Translated Text] The Japanese made a big scandal and have managed to bend the Brazilian Government. They can now export cars to Brazil with the same import tax paid by Brazilian car companies that import cars.

The Japanese cried, fought, threatened — needlessly. The Brazilian Government always knew that some day it would have to go back on its decision and allow Japanese cars into Brazil at the reduced 35 percent import tax.

The story is as follows: First, the Brazilian Government raised the car import tax to 70 percent. Of course everybody complained. However, only the petition by car companies installed in Brazil was heard. The government authorized them to import cars at a lower rate.

Japan, which has no car company installed in Brazil, filed a complaint before the WTO. Brazil, however, did not yield to the pressure. This story has been dragging on for some time now, and now it is clear that all that courage demonstrated by the Brazilian Government was not really courage. It was just a strategy. Yes, even though the Brazilian Government sometimes makes foolish moves, it is not throwing money away — and fighting with a country like Japan is almost that.

The economic team was merely stretching to the limit the timeless oriental patience and now it will give them what they want. The Industry and Commerce Ministry will allow Japan to export a quota of cars to Brazil paying the 35 percent import tax that is paid by car companies installed in Brazil.

This is good for consumers, who will be able to buy cheaper cars. However, the really good thing would be if the rules did not change every day. Beside, anyone who bought a Japanese car during the past few months will now feel cheated.

[Sao Paulo GAZETA MERCANTIL in Portuguese on 13 June carries a 200-word article by Cristina Aby-Azar stating that "95 companies, including car factories and car parts manufacturers, have registered with the Industry and Commerce Ministry to operate under the new car industry regime. Of that total, 75 projects have already been approved. This limits the bargaining power of the Brazilian Government during the negotiations with Japan and South Korea that will begin on 18 June in Brasilia. The two countries question the Brazilian car industry policy and are threatening to file complaints before the WTO. Industry Minister Francisco Dornelles and his team say the already signed contracts will not be affected by eventual changes in the car industry regime as a consequence of the bilateral negotiations with the Japanese and Koreans. The provisional measure that created the car industry regime was reissued on 11 June with two small changes. One concerns a 2-percent reduction in the import tax on machines. The former provisional measure text did not specify if these machines had to be directly used in the production process."]

Brazil: Japan Threatens To Take Car Import Dispute to WTO

PY2006032796 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Jun 96 p B11

[Report by Aldo Renato Soares]

[FBIS Translated Text] Brasilia — The Japanese Government on 18 June demanded that Brazil change its auto policy "as soon as possible." Following two days of bilateral talks presided over by Foreign Minister Luiz Felipe Lampreia at the Itamaraty [Foreign Ministry headquarters] building, Brazil and Japan failed to reach an agreement. Hidehiro Konno, director for international cooperation of the Japanese Industry and International Trade Ministry, issued the following threat: "If no progress is made on this issue, we could appeal to the WTO."

Konno said the benefits given to automakers based in Brazil are out of keeping with "the trade liberalization envisaged by the WTO and endorsed by Brazil." He separated the Japanese Government's position from the interests of Japanese auto makers. He said: "We question the spirit of the Brazilian law, which discriminates against Japanese investments and violates WTO agreements."

The Brazilian auto policy provides fiscal benefits to auto industries established in Brazil and to those who may choose to set up a plant here in the future. The law enables the above companies to import durable goods, raw materials, and finished vehicles at reduced import tariffs. The import tariff for finished vehicles for them is 35 percent. Yet, import tariffs for companies not having assembly plants in Brazil stand at 70 percent. Because no Japanese automaker has an assembly plant in Brazil — Toyota is the only one, but it did not abide by the system — Japanese companies have been hard hit by the new Brazilian policy.

Jose Alfredo Graca Lima, director general of the Brazilian Foreign Ministry Economic Department, declined to comment on the Japanese threat. He said: "All I can say is that the consultations are not over yet." Graca Lima, who took part in the talks with the Japanese, said that next week Brazil will continue to hold consultations with the EU in Brussels, and with South Korea in Geneva.

According to Graca Lima, Brazil has not made any proposal to the Japanese. "To do this, we would have to consult with our other partners first, " he said, referring to the EU and South Korea. The U.S. Government will also be informed about the Brazilian auto policy during a meeting of the Brazil, U.S. Chamber of Commerce late this month in Sao Paulo.

Brazil: Some Restrictions on Foreign Investment Lifted

PY1906164196 Rio de Janeiro O GLOBO in Portuguese 13 Jun 96 p 26

[From the "Economic Panorama" column by Miriam Leitao: "More Opening"]

[FBIS Translated Text] There are no more restrictions to foreign capital participation in the areas of insurance in general, private social security, and capital stock [capitalizacao]. This is stated in a report by the Counsel General's Office, which the newspaper DIARIO OFICIAL DA UNIAO published this week. Previously, if a foreign enterprise wanted to invest in Brazil, it had to tread a long path starting at the Private Insurance Superintendency [Susep] and leading to the National Council of Private Insurances, or from the Finance Ministry to the Presidency of the Republic.

Nowadays, however, in order to invest in Brazil, an insurance enterprise must simply fulfill the requirements demanded of any other foreign investor: To comply with the local rules and register at the Central Bank the amount of resources brought into the country. A few weeks ago, the federal administration opened the health insurance area to foreign capital, but it was a more general and simpler opening.

"It has been simply a new interpretation of the law and of the temporary provisions of the Constitution," Economic Coordination Secretary Bolivar Moura Rocha explained.

Article 52 of the Temporary Provisions establishes that in order to deposit investments in banks, a presidential decree is required. As Article 52 refers to Article 192, the one that regulates the country's financial area, to which the insurance area also relates, the two areas were considered subjected to the same rule calling for a presidential decree. A new interpretation by the Attorney General's Office and the Counsel General's Office, however, corrected the previous interpretation. As a result of that, restrictions on the area were lifted.

The insurance area, which moved 13.9 billion reals in the country last year, has been growing rapidly since the Brazilian economy became stable. It grew 37.8 percent in 1994 and 15 percent in 1995. The life insurance area, which is more attractive to foreign capital, grew 55 percent.

Recently, a U.S. mission visited Brazil to obtain more information on the issue.

Susep Superintendent Marcio Coriolano explained: "What will attract them most after the DIARIO OFICIAL DA UNIAO published this new interpretation is the fact that Brazil now has stable rules."

Brazil: Textile Import Measures To Be Reviewed

PY1806230796 Sao Paulo GAZETA MERCANTIL in Portuguese 12 Jun 96 p A8

[Article by Maria Clara R.M. do Prado]

[FBIS Translated Text] On 11 June, Brazil officially informed the Argentine Government during a bilateral meeting held in Brussels that it had decided to review a measure it had adopted nearly 45 days before. The measure sought to increase the price of Uruguayan and Argentine textile products purchased by Brazil, including ready-made clothes, by reducing to 30 days the maximum financing term allowed for those imports.

Jorge Campbell, secretary for trade and international affairs of the Argentine Foreign Affairs Ministry, announced to a group of reporters — late in the afternoon of 11 June — the decision made by Brazil. He said: "Now we can have a scenario without conflicts or distortions for the Common Market of the South [Mercosur] summit meeting (which is scheduled for 25 June)." Argentina, as well as Uruguay, had protested the decision to reduce the financing terms established for Brazilian textile imports, and alleged that these new financing terms represented an additional cost in trading with Brazil.

Uruguay exports nearly $40 million in textiles to Brazil, particularly during the season in which orders for woolen ready-made clothes are placed. Argentina exports to Brazil a similar amount of textiles. Ambassador Botafogo Goncalves — deputy secretary general for integration, foreign trade, and economic affairs of Itamaraty — has confirmed to this newspaper that Brazil had decided to go back on its decision to review the financing terms for textile imports from Argentina and Uruguay.

He explained that the decision had been made because Brazil realized that the impact those imports had on the economy was small: "We decided to reconsider the measure after finishing consultations with the economic area ministers," Botafogo said. He added that it was possible to have a better idea of the weight the Argentine and Uruguayan products had after the country decided to resort to safeguard measures against dumping [preceding word in English] practices by the PRC and the ROK in their textile exports.

Brazil: Russia Offers Satellite Launch Service

PY1806180996 Sao Paulo FOLHA DE SAO PAULO in Portuguese 13 Jun 96 Section 2 p 9

[Article by Elvira Lobato]

[FBIS Translated Text] Russian Telecommunications Vice Minister Yuriy Tolmachev yesterday defended a cooperation agreement with Brazil to launch satellites. The proposal, he said, was presented to Communications Minister Sergio Motta.

The Russians want to dispute the international commercial satellites market using the Proton launcher developed during the Cold War (after the end of the Second World War).

Yesterday, the Russian mission — with representatives from the government and 15 companies — became the center of attention at the Americas Telecom meeting by offering a reception with a lot of vodka and caviar at noon.

The objective was to show Russian products and telecommunications technology.

The principal product the Russians showed was a security system developed for military use.

The system guarantees communications secrecy via fax, computer data transmission, and telephone communications.

The target markets of the Russians for this system are financial institutions and insurance companies in general.

This is the first time the Russians have participated in the Americas Telecom. Beside selling products, they intend to attract investors to their country.

Telebras, [Brazilian Telecommunications, Inc.] is seizing the opportunity of the Americas Telecom meeting to test a public telephone that uses credit cards developed by Telebras.

Telerj [Rio de Janeiro Telecommunications] has installed 110 of these telephones in the Riocentro Pavilion, where the Americas Telecom meeting is being held. These telephones are programmed to receive MasterCard, American Express, and Visa cards.

Telebras is still uncertain when these new public telephones will be incorporated into the network of public telephones.

Impsat Venezuela President Robert Perera defended the unification of telecommunications regulations in the American continent. He said it would attract investment to the region.

Perera believes the diversity of regulations in the continent makes it "very difficult" for foreign companies to establish an action plan.

EU Telecommunications Deputy Minister Eugenio Triana Garcia praised the opening of the Brazilian telecommunications market.

He said that as of January 1998, the European telecommunications markets will be totally liberated — allowing free competition.

The commitment to liberate the market, he said, does not mean all the European public telecommunications companies will be privatized by then. He said: "Privatization is an individual and sovereign decision of each country."

The deputy minister said the EU must approve the implementation of global satellite communications services but it will defend a harmonious implementation of those systems.

Although consortia have already been formed to offer global communications systems — like Iridium, Inmarsat, Globalstar, and Odyssey — Triana Garcia said they only cover 10 percent of the market.

Brazil: Asian Lumber Companies Target Amazon

96GE0051A Rio de Janeiro JORNAL DO BRASIL in Portuguese 2 Jun 96 p 25

[Report by Vladimir Netto]

[FBIS Translated Text] Brasilia—The companies leading the world market for lumber exploitation have arrived in Brazil with the intention of making the Amazon region one of their principal sources of supply. The WTK Corporation, one of the largest firms in Malaysia, a country that holds 70 percent of the world market, is about to gain control over an area of 1.5 million hectares in the Amazon region. This is equivalent to 68.6 percent of the state of Sergipe, or one and a half times the territory of Jamaica.

Most of this area, 1.2 million hectares, lies in the Alto Jurua, in the western part of the Amazon region, and the rest is in the municipality of Itacoatiara, adjoining Manaus. The WTK strategy is to become associated with the Amazon region's lumber companies, which are experiencing financial problems, in order to take control of their stock shares and to invest in production.

Korean Company

WTK has already done this with two firms, and is now heading toward the third, which will guarantee it the 1.5 million hectares. Concurrently with this, another company, the Korean Sam-Ling, recently purchased 5 million hectares in Guyana, located in an area near the Brazilian border. Moreover, there is a migratory movement of Brazilian lumber companies from Para (where the reserves also are becoming depleted) to the Amazon region. According to the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama), nearly 100 companies are leaving Para, bound for the Amazon region.

These actions, which have surprised the Brazilian authorities, are being viewed as a forerunner of the search for new sources of raw materials that is already being attempted in other parts of the world. The stocks in Malaysia and Korea, which have always engaged in predatory extraction, will be depleted within 10 years, and their companies are seeking alternatives to guarantee their market supplies.

These companies are already present in Africa, Suriname, and Guyana, and now they want the Amazon region. Ibama's president, Eduardo Martins, remarks: "But we shall not allow it. We know that the international market is being represented through Brazilian companies."

However, Brazil's legislation lacks the means for preventing the entry of those firms, which want to raise production to levels compatible with their demands. The Forest Code only prohibits the predatory exploitation of the primitive forests in the Amazon Basin. They can be felled if it occurs as part of a sustainable forest management program. For each tree cut, another must be planted to replace it. Furthermore, the cutting of the tree must be preceded by various precautions to prevent unnecessary destruction of the ecosystem.

Consultants, technicians, and ecologists do not believe that these companies will obey the law. The forest management plans are being implemented over the medium and long term, and the world market demand is immediate. During 1995, wood production in the Amazon region totaled 600,000 cubic meters, five times less than the volume that the companies arriving in the region want to attain. Hence, the specialists are unanimous in claiming that a short-term exploitation, such as the one being attempted in the Amazon region, could hardly fail to be predatory.

Control

According to the Ibama president, the challenge for the government is to curb the greed of those companies and, at the same time, seek an alternative type of sustainable development for the region. For this reason, Ibama has intensified inspection, threatened to cancel the licenses of scofflaw companies, and promoted management, dreaming of an exploitation plan that would make the backwoods people rich.

Martins asserted, "The economic importance of lumber must be taken into account. In some Amazon region municipalities, the extraction of wood accounts for 80 percent of the ICMS [Goods and Services Movement Tax] collections. However, with the manner in which it has been done, it always leaves an aftermath of poverty when the raw material is depleted."

Brazil Is an Easy Target

The arrival of Malaysian companies in Brazil signals a change in the focal point of the world lumber extraction market. During recent years, the production of cubic meters of wood in Malaysia and other Asian countries has been cut in half, owing to the shortage of stocks. Therefore, the Asians decided to keep their remaining stocks, waiting for a higher price, and are seeking other sources of supply. First, they arrived in Central Africa, later in New Guinea, and now in Latin America.

Those companies are willing to do anything to maintain leadership on a market that turns over hundreds of millions of dollars annually. In this context, the Amazon region appears to WTK as the last great reserve still left virtually untouched, with the advantage of being situated in a country that does not have very strict legislation.

Furthermore, Brazil accounts for only 4 percent of the world lumber production, and has sufficient reserves to lead the market. Garo Batmanian, director of the World Wildlife Federation (WWF) in Brazil, makes this assessment: "Malaysia knows that the Amazon region is the next step toward the market. Brazil lacks a forest policy that would create a sustainable development model."

Neighboring countries, such as Suriname and Guyana, are already being heavily exploited. Guyana, which had been one of the least devastated regions in the world, was subjected to pressure to pay its foreign debts, and hence ended up making concessions to Malaysian and Korean companies. Today, of the 16 million hectares of forests in Guyana, 9.5 million belong to companies such as WTK.

Ibama Attempts Repression

If Brazilian legislation does not permit Ibama to prevent the installation of foreign companies planning to raise the levels of wood extraction in the country, then at least inspection should be intensified. That is the view of Ibama's president, Eduardo Martins.

Ibama is working in conjunction with the Army and the Federal Police, and has already instructed its inspectors that companies flagrantly violating the legislation must have their registration canceled and their logs confiscated.

This repression plan has already begun to be implemented. Last month, over 10,000 logs were seized in the Amazon region, based on the charge that they had been removed from Indian land, or that there was no forest management. With this action, Martins is stirring up the biggest hornet's nest in the Amazon region.

The large companies, and even mayors of municipalities that make their living from lumber, sent protests to Ibama and to the Ministry of Environment & Hydraulic Resources, and the Legal Amazon region, to have the lumber released. However, Martins has decided to sell what was confiscated at auction, in order to improve inspections.

But this is not Ibama's main objective. The idea is to closely monitor the companies' activity in the region, to curb abuses, and to use the funds accrued to improve the population's living conditions. For example, the investments programmed by WTK are on the order of $250 million. Martins claims, "We must develop systems that will prevent lumber from being exported with little benefit, as is occurring now. The wealth should remain here. Only in this way can we have a sustainable development in the region."

Brazil: Cardoso Planning 'Second Phase' After Elections

PY2006000096 Sao Paulo FOLHA DE SAO PAULO in Portuguese 17 Jun 96 Section 1 p 6

[By Valdo Cruz and Fernando Rodrigues]

[FBIS Translated Text] President Fernando Henrique Cardoso (PSDB) [Brazilian Social Democracy Party] has told his ministers and his main advisers that after the municipal elections of 3 October he will begin a second phase of his government.

This second phase will reportedly be marked by two main changes: there will be a new cabinet and the ministers will have a stronger executive profile.

To define its last two years, the Fernando Henrique Cardoso Government has already coined a neologism: It will be the "action" [fazecao] phase.

In Cardoso's opinion, 1997 and 1998 will be years of many concrete works, whose results will be more clearly seen by voters.

The underlying objective of all this is the consolidation of the PSDB government, paving the way for a possible reelection of Cardoso.

Despite not having officially admitted it, Planalto Palace is already working with the hypothesis of failure to approve the last three constitutional reforms: social security, administrative, and taxation.

In this case, in 1997 the government will reduce expenses even further, and will accelerate privatization in order to balance public accounts.

The president has been more optimistic than justified by the current economic situation. He has told his advisers that he is sure that growth will be reactivated.

The Landless People's Movement (MST) has been the only source of concern for the Cardoso government.

FOLHA last week interviewed four ministers and several close presidential advisers. All of them spoke on the condition of keeping their remarks anonymous. Herewith is a summary of the ideas that PSDB leaders have of the main current Brazilian issues:

Cabinet Reshuffle — The president will reshuffle his cabinet after the municipal elections. Cardoso will look for executive people. He wants to see the ministers doing things, with concrete results. This is why advisers are already saying that it will be the government's "action" phase.

The formation of the cabinet of the second PSDB government phase will not take into account the need for a composition with many parties. It will also disregard the idea of pleasing friends and loyal advocates.

The size of the cabinet reform will depend on the availability of personnel. When a close adviser suggests to the president to replace a minister, the president usually asks: "And who will I designate as his replacement?"

In two recent ministerial replacements, Cardoso gave the impression that he was satisfied with the initial results — Francisco Dornelles (Industry and Commerce) and Antonio Kandir (Planning).

For both ministers, Cardoso has already chosen labels belonging to the "action" phase mentioned by PSDB members. Dornelles is the "minister of private initiative," while Kandir is the "minister of development."

Reforms — Presidential advisers say that without changes in DVS [Mechanism for Voting on Separate Issues] regulations, this government will be unable to approve any other reform.

Through the DVS, the opposition manages to again vote on part of an amendment that was already approved by the floor, by 308 deputies.

To submit a request for a DVS, a deputy needs only 51 signatures. To defeat it, the government needs to again gather 308 votes. Planalto Palace refers to the DVS as "the dictatorship of the minority."

Despite the ministers' pessimism, Cardoso believes that the social security, administrative, and tax reforms may be approved before the end of the year.

Yet he is already using words to justify a possible failure. He usually says that he has always criticized the economic team's idea that without the reforms, the Real Plan would fail.

Reelection — A vast sector of the government is convinced that raising the issue now would only serve to cause trouble. Cardoso continues to say that he prefers to raise the issue in 1997. Communications Minister Sergio Motta (PSDB) will continue to pressure for reelection.

Chamber of Deputies President Luis Eduardo Magalhaes (PFL-BA) [Liberal Front Party-Bahia] always addresses the issue when he talks with Cardoso.

According to reports circulating in Planalto Palace, Magalhaes wants to step down as Chamber of Deputies president at the end of the year, upon completion of his term and upon approval of the reelection amendment by the committees.

Brazil: Government To Call Special Congressional Session

PY1906202396 Sao Paulo AGENCIA ESTADO in Portuguese 1733 GMT 19 Jun 96

[FBIS Translated Text] Brasilia, 19 Jun (AE) — President Fernando Henrique Cardoso will summon Congress during the July recess. This was reported by Benito Gama (PFL-BA) [Liberal Front Party-Bahia], government leader in the Chamber of Deputies, who a short time ago announced the proposals that will be on the agenda during the special period of sessions. The proposals are the social security, administrative, and tax reforms, the new rules for the creation of municipal districts, and the provision of more funds for elementary education. The last two issues will be debated in the Senate during July. The agenda will also include bills regulating domestic shipping, the easing of the petroleum monopoly (which must be submitted to Congress by 21 June), and the opening of the cellular phone sector to private capital, if by that time this last bill has not yet been approved by the Senate. As for the administrative reform, Gama explained that the PMDB [Brazilian Democratic Movement Party] and the PPB [Brazilian Progressive Party] are seeking solutions for the public servant stability issue. The PMDB designed a proposal providing for sort of a "guillotine" whereby public servants may be dismissed if personnel expenses surpass 60 percent of revenues. "The guillotine is an alternative, not a replacement," he explained. He added that each state will be empowered to set its own public servant salary ceiling, provided it stands below the top limit set by the federal government. "We cannot adopt the same ceiling of 10,800 reals in Brasilia and in Sergipe," he noted.

Brazil: Government Changes Strategy on Reform Approval

PY1906201596 Rio de Janeiro Rede Globo Television in Portuguese 1615 GMT 19 Jun 96

[Report by Delis Ortiz in Brasilia]

[FBIS Translated Text] The government has changed its strategy to guarantee the constitutional reforms. However, it now runs the risk of giving up essential reforms. For example, the most controversial point of the administrative reform — the end of job stability for public employees — has already been eliminated from the proposal.

The administrative reform is now summarized to the following three points: No one may earn more than a Federal Supreme Court justice, who currently earns 10,500 reals [R]; wage increases can only be authorized by law; bonuses that have become part of salaries will be prohibited.

The government gave up the most controversial reform that hampered the debate in Congress: The end of job stability for public workers. This has been excluded from the administrative reform proposal.

The government now wants to reduce the reforms to what is feasible for approval, and separate the parts that can be approved through laws which are far easier to be approved in Congress.

The leaders of the parties represented in Congress and the president of the Chamber of Deputies were summoned in Planalto Palace. President Fernando Henrique Cardoso wants to know how the government can guarantee social security, administrative, and tax reforms — as well as the CPMF [Provisional Contribution on Financial Operations] to finance the health sector.

President Cardoso agreed with the new administrative reform proposal as long as payroll expenses do not surpass 60 percent of income. Congress will be summoned in July to vote on the social security, administrative, and tax reforms, as well as on the regulations of the economy.

The president asked the party leaders for their opinion regarding the possibility of voting on the CPMF. Health Minister Adib Jatene will again contact the party blocs to ask for their support. This afternoon President Cardoso will meet with the Senate party leaders.

Brazil: Regulatory Bodies for Public Services Viewed

PY1906163896 Rio de Janeiro O GLOBO in Portuguese 13 Jun 96 p 2

[From Tereza Cruvinel's "Political Outlook" column: "The Regulatory Power"]

[FBIS Translated Text] The reform of the state demands more than laws and constitutional reforms. It is a delicate effort that must be accomplished by handling pressures. In a few days, President Fernando Henrique Cardoso will issue a decree establishing some rules on what is being the object of a silent war to the death: The regulatory bodies of public services which are being privatized or transferred to concessionaires.

Before public control steps out, clear rules for a system of control over public services must be established first.

The war that began involves the nature, composition, and power of these bodies, about which little is being discussed and a lot is being disputed. For example, these bodies will have to establish fares, readjustments, consumer rights. They will have a regulatory power that is currently held by the state which currently owns or provides the service. This is why the dispute is big, especially over the nature of these regulatory bodies.

"They defend an Anglo-Saxon model, forgetting that we have a Napoleonic culture," President Fernando Henrique Cardoso said about the subject.

By an Anglo-Saxon model we understand the transfer of the regulatory power to independent bodies, outside the state apparatus, despite the fact that the government will maintain a representative in it, together with the concessionary companies and the consumers. In England, where the model was improved during the Thatcher era, even the exploitation of lotteries has to be authorized by a regulatory body, presided over by a regulator [preceding word in English] who has a fixed mandate. In a Napoleonic culture, the state is the controller, and the bureaucracy has the final word.

Although everyone wants independent regulatory bodies, nobody can agree with regard to their organization. The government wants to maintain a minimum control to preserve its economic policy. For example, utility fares can be lethal for a stabilization plan. If the government bureaucracy wants to guarantee its space, Congress wants the same, and the concessionary companies do not lag behind. It is still not clear how the consumers will be represented. There is an open conflict in the Senate over the telecommunications regulatory body, whose creation has already been approved by the lower house. Senator Hugo Napoleao wants to guarantee the maximum independence for it and to eliminate the words "ad referendum" imposed by the Communications Ministry. The lower house is debating electricity services, which are also being privatized. In the vacuum of the dispute, President Cardoso will propose general rules on the subject. The most probable thing is that in an initial stage, a medium term solution will prevail: Representative bodies yes, but still with marked state presence.

Brazil: Government Launches Export Credit Line

PY1906201896 Rio de Janeiro Rede Globo Television in Portuguese 1615 GMT 19 Jun 96

[FBIS Translated Text] The BNDES [National Bank for Economic and Social Development] has 1 billion reals [R] available for a credit line to encourage exports. BNDES just announced the program a while ago at Planalto Palace. The program will benefit nine manufacturing industries, including the shoe, furniture, and clothes industries.

[Begin Industry and Commerce Minister Antonio Kandir recording] Each company could obtain something like 85 percent of the value of the operation they are interested in, but the credits are limited to R10 million. This means at least 100 companies will benefit from this credit line. Just R1 billion — although the effect is greater — represents 70,000 jobs. It is really more than that, because when you conquer a new market, you open it and increase exports. Therefore from both the direct and indirect point of view, it will have a considerable impact on employment. [end recording]

Brazil: Cardoso Criticizes General Strike Set for 21 Jun

PY2006033896 Sao Paulo AGENCIA ESTADO in Portuguese 2116 GMT 19 Jun 96

[Report by Isabel Braga]

[FBIS Translated Excerpt] Brasilia, 19 Jun (AE) — President Fernando Henrique Cardoso today condemned the general strike to protest unemployment organized by trade union federations for 21 June. "It is not by calling strikes that we are going to create more jobs, " the president said during a ceremony held at Planalto Palace to launch a program to promote exports. Cardoso said: "The most disquieting figures, which had been reported in the area of employment, are beginning to show signs of positive recovery."

According to Cardoso, more jobs have been created than closed since April. He added: "This trend is going to continue because of the high level of investments." He stated that it is not with strikes, but with work that the unemployment problem will be resolved.

Emphasizing the upsurge of investments, the president reiterated that Brazil has a "set course" and that it is necessary "to enhance our skills" to make the people aware that the country has changed." He added: "We should not be afraid to face reality and should not merely say this is bad, or this is even worse."

Cardoso commented on figures included in a UN report on Brazil, focusing on the intermediate stage of social development existing in some Brazilian states. He said: "Those are figures pertaining to 1991. The report has nothing about what has happened since the Real Plan." He added: "As soon as we gather data on the social changes brought about by stabilization with growth, we are going to realize that we are on a sound course."

Cardoso stated that private investments, especially foreign capital, should surpass 6 billion reals in 1996. He said: "We are witnessing an innovative approach; that is, increasing private investments to compensate for the government's inability to invest." He added: "We are reorganizing our productive apparatus in a very consistent way." [passage omitted]

Brazil: Federal Revenue To Inquire Into Pension Funds

PY2006035496 Rio de Janeiro O GLOBO in Portuguese 14 Jun 96 p 22

[FBIS Translated Text] Brasilia — Deputy Freire Jr. (Brazilian Democratic Movement Party-Tocantins), who is the rapporteur for the Congressional Investigating Committee [CPI] looking into possible irregularities occurring in pension funds, has reported that the Federal Revenue Secretariat will probe into the income tax statement of the heads of 21 private social security institutions, as well as into the statements of the members of the Complementary Social Security Secretariat [Secretaria de Previdencia Complementar—SPC], who have been investigating these institutions over the last six years. According to Freire Jr., the Federal Revenue investigation will allow establishing links between the SPC investigators and the pension funds.

There are signs that the SPC Investigating Committees have made fraudulent reports and, in several cases, have not completed their investigations. I fear there are some cases of complicity, Freire Jr. said.

The deputy, who started on 14 June to read the final CPI report, asserted that when the work is finished he will send all the documents on the investigations conducted into pension funds to Federal Revenue Secretary Everardo Maciel. Freire Jr. hopes the Federal Revenue Secretariat will be able to unveil details that will detect whether irregularities have been occurring in the institutions and in the areas in charge of supervising them. In addition, the documents will be sent to Attorney General Geraldo Brindeiro; Federal Police Director Vicente Chelloti; and to the president of the National Accounting Office, Marcos Vilaca.

According to Freire Jr.'s recommendations, the Federal Revenue Secretariat will investigate the following pension funds: Bank of Brazil Pension Fund; Private Welfare Group of the Federal Railway, Inc.; Federal Savings Bank Pension Funds; Sistel; Valia; Aeros; Petrobras Pension Fund; National Bank for Economic and Social Development; Portobras Pension Fund; Postalis; Faceal; Potiprev; Prevbep; Fundaseng; Parse; Braslight; Prevban; Rio de Janeiro State Bank Pension Fund; Ceres; Fipecq; Prevhab. Freire Jr. still does not know how many people the Federal Revenue Secretariat will investigate. After holding a meeting on 13 June, Freire Jr. and the Federal Revenue officials decided to request the cooperation of Federal Revenue agents to investigate possible irregularities.

Deputy Freire Jr.'s final report recommends that the federal administration should re-equip the departments responsible for the supervision of the pension funds. The deputy has reported that the heads of the SPC, Private Insurance Superintendency, Securities and Exchange Commission [CVM], and Special Secretariat for State Enterprises, who testified before the CPI, have complained about the poor conditions of their institutions. Freire Jr.'s report also recommends a rigorous investigation by the SPC and the CVM on the Previ employees' participation in the purchase of BB shares.

Brazil: Measures To Prevent Money Laundering Specified

PY1906031196 Sao Paulo AGENCIA ESTADO in Portuguese 2014 GMT 16 Jun 96

[FBIS Translated Text] Brasilia, 16 Jun (AE) — The main points of the bill drafted by the administration to control and punish money laundering operations are as follows:

— Money laundering or the concealment of goods and properties directly or indirectly stemming from drug trafficking, organized crime, terrorism, or arms or ammunition smuggling, will be repressed. The purchase, reception, exchange, negotiation, donation, or reception in guarantee, maintenance in a warehouse, move, or transfer of goods or money stemming from these activities are considered crimes. Besides a fine, the project establishes prison sentences ranging from two to five years for whoever is found responsible for the mentioned practices, and from six months to two years for whomever cooperates with these crimes.

— Like in American films, the law establishes shorter prison sentences for informers from criminal organizations as long as they pass information that will reveal crimes and that will help locate the goods and money involved. The reduction of the sentence varies from one to two-thirds of the sentence.

— The judge will be able to confiscate the goods and money and give them to be administered by a qualified individual, preferably from a financial institution through a contract. If the crime is proven, the defendant will lose his goods which will be confiscated by the federal government. If the criminal is a director, manager, or member of a financial institution administrative council, he will be prohibited from carrying out his duties for a period of time equal to or double that of his sentence.

— A Financial Activities Control Council [Conselho de Controle de Atividades Financieiras] (Coaf) will be created within the Finance Ministry to investigate actions suspected of involving money laundering. This council will also have to suggest and coordinate cooperation mechanisms on information. It will be made up of experts from the Central Bank, CVM [Securities and Exchange Commission], Susep [Private Insurance Superintendency], Finance Ministry attorney's office, Federal Revenue Service, Federal Police, and Foreign Affairs Ministry. The council will be presided over by a director general who will be appointed by the president of the Republic, after being nominated by the finance minister.

— Banks, bingo houses, antiquaries, art galleries, jewelers, credit card management companies, consortiums, leasing companies, factoring companies, complementary pension and capitalization firms, real estate companies, and any other companies that negotiate with high sums of money, be they Brazilian or foreign companies operating in Brazil, will be forced to maintain an updated register of their clients. They must register their transaction and any transaction that surpasses a determined sum of money that must still be established, will have to be immediately reported to the Coaf. If these rules are not respected, the firms will be subject to fines that could reach 200 percent of the profit obtained with the operation.

Brazil: Government To Fight Illegal Money Operations

PY1906024696 Sao Paulo AGENCIA ESTADO in Portuguese 2007 GMT 16 Jun 96

[By Lu Aiko Otta]

[FBIS Translated Text] Brasilia, 16 Jun (AE) — The government is working on two fronts to prevent the country from becoming the destination of the money produced by drug trafficking and organized crime. The government is studying the creation of internal instruments to facilitate punishment of those crimes, and the conclusion of agreements for exchanging information with the United States and European countries. In the opinion of government specialists, the rigidity of bank and taxation secrecy rules has transformed Brazil into a "Latin Switzerland." Economic stbaility, which has produced interest rates above international rates, has increased even further the Brazilian market's attractiveness for money laundering operations.

The government in the next few days will submit to Congress a bill — drafted by Justice Minister Nelson Jobim — for creation of a council charged with investigating money laundering and with defining instruments to facilitate the investigation and punishment of those crimes. At the same time, the Federal Revenue Secretariat is negotiating agreements for the exchange of information with its matching organizations in the United States and Europe.

The bill to be submitted to Congress sets forth that the use of illegal money will be fought through rigid measures affecting banks, stock exchanges, goods and futures exchanges, and the enterprises moving large amounts of money, like gambling houses, antiquaries, art galleries, jewelers, supplemental social security enterprises, and capitalization enterprises. All of them will be compelled to keep an updated registry of their clients, with full records of their operations.

Transactions of very high amounts, above a ceiling that is still to be established, will be immediately reported, under secrecy, to the Council of Financial Activities (Coaf). This council, creation of which is provided for in the draft bill, will be made up of specialists in finances, capital markets, taxation, legislation, international relations, and federal police specialists.

Council members will be charged with investigating operations with suspected links with money laundering, drug trafficking, organized crime, and terrorism. The council will be an attempt to resolve a problem that today hinders the investigations: the precarious exchange of information between government organs. It is not unusual to hear complaints from the Revenue Secretariat, for example, over the difficulties to have access to banking information of tax evaders, which is in the hands of the Central Bank.

The project also creates a new figure in Brazilian legislation, which is very common in U.S. police movies: the informer. If approved, a member of a criminal organization may have his penalty reduced by one or two thirds if he cooperates with the authorities, supplying information leading to the clarification of a crime or to the detection of the involved goods.

While the bill is not approved, however, the government is working on other alternatives to improve the investigations into financial and fiscal crimes. In May, Finance Minister Pedro Malan met with the finance ministers of the other countries of the continent in New Orleans (USA). One of the items on the agenda was the exchange of information between the governments to fight drug trafficking, money laundering, and financial crimes. "We are determinedly moving toward increasing cooperation between governments and regulatory agencies, in a search for cooperation for the identification of those crimes," Malan said.

There is even a line of financing from the Inter-American Development Bank for the training of officials for investigation of those crimes. Brazilian specialists are being trained by the U.S. Federal Reserve (the equivalent to the Central Bank) and also by the corresponding Canadian institution.

Two weeks ago, Federal Revenue Secretary Everardo Maciel met with U.S. Revenue Under Secretary Joseph Guttentag, and asked for the resumption of negotiations over an agreement to eliminate double taxation by the two countries. In addition to permitting U.S. enterprises with branches in Brazil to deduct the tax paid in Brazil from their income tax, and to give more stability to taxation rules, the agreement will permit the exchange of information between the supervisory organizations of the two countries. Maciel intends to sign similar agreements with Mexico and Portugal.

Brazil: Embratel President on Reorganization, Contracts

PY1906203296 Rio de Janeiro JORNAL DO BRASIL in Portuguese 15 Jun 96 p 20

[FBIS Translated Text] Embratel [Brazilian Telecommunications Company] President Dilio Penedo will implement a broad company restructuring program to prepare it to compete with foreign companies. He said: "The Embratel monopoly on satellite data transmission ends in December 1997. We must improve our services and further satisfy our clients to face the competitors that are coming."

Penedo yesterday participated in the Americas Telecom meeting, which is the largest telecommunications forum in the American continent, and which concludes today in the Riocenter pavilion. The Embratel restructuring program will be prepared with the help of an international consulting firm that will be selected through a bid.

Following the end of the Embratel monopoly by 1998, Penedo believes large international companies will still take some years to become installed in Brazil.

Penedo participated in a debate entitled: Toward the Era of Information. He said Brazil must have access to ATM [Asynchronous Transfer Mode] technology, which is a prerequisite for all state-of-the-art equipment exhibited at the fair. Dilio said that Embratel laboratories are testing this and it may available by next year, adding: "It could have already entered the market, but there is no demand yet for this kind of service in Brazil."

He also announced the speed upgrade of the Embratel backbone [preceding word in English] to 8 Megabytes. "We are opening another 2 Megabyte channel with MCI," Penedo said. During the Americas Telecom, Embratel signed four telecommunications agreements with Paraguay.

The first is about the joint supply of Data Sat and VSAT (a private network) services. This agreement will allow companies that use the Data Sat network through the Brasilsat to serve its subsidies in Paraguay. Communication between the companies will then become automatic, saving time and money.

Another important agreement, which will be valid for 25 years, guarantees Paraguay telecommunications traffic with Brazil.

Brazil: Telebras President Reviews Investments for 1996

PY2006001696 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Jun 96 p B10

[FBIS Translated Text] Rio de Janeiro — The volume of investments in telecommunications should reach 10 billion reals [R] next year through private initiative in the Brazilian market. The forecast was made by Telebras [Brazilian Telecommunications, Inc.] President Fernando Xavier who yesterday met with representatives of four foreign groups during the Americas Telecom meeting in the Riocenter pavilion. Xavier hopes that beside the R7 billion foreseen in investments in the Telebras system, the opening of the market will bring in an additional R3 billion, necessary for the implementation of private systems in the country.

The interest of international investors in the Brazilian market was high on the agenda of Telebas in Riocentro. Xavier met with managers from Pirelli, Iridium, GTE, and Samsung. The Telebras president said Samsung is willing to exploit communications services and to supply equipment.

The first private investments, Xavier said, are mainly centered on the privatization of the B band (cellular telephone service) and on via satellite transmission services. He said: "Companies will have to invest in licensing and implementation of the cellular telephone system to offer that service." According to him, the installation cost of a cellular telephone in Brazil is currently estimated in R1.300 per unit.

Resources — The Telebras president also announced that before the end of the month the government will send to Congress a petition of authorization to raise the ceiling on the investments in the Telebras system for this year from R5.5 billion to $7.2 billion. This difference, according to him, is almost equivalent to the monetary correction of the 1996 budget approved in 1995. Xavier did not explain in what this difference will be invested. "This new ceiling we asked for corresponds to the current market demand," he said.

The petition to raise the ceiling authorizes Telebras to raise R1.7 billion abroad. "Telesp [Sao Paulo Telecommunications] has just obtained an international loan amounting to R310 million at an 11-percent interest rate with an eight-year grace period," Xavier said as he defended this foreign operation.

The Telebras president also confirmed that the company will have to separate its cellular telephone business from the rest of its businesses to wait for the privatization of this service.

Brazil: Exchange Accord With Chinese TV Station Signed

PY1906153296 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 19 Jun 96

[FBIS Translated Text] The Chinese State Television enterprise and Radiobras [Brazilian Radio Broadcasting Company] have signed a protocol of intention for exchanging news.

Beijing Television — BTV — President (Liu Ji), who met with Radiobras President Maurilio Ferreira Lima, proposed the exchange of news.

BTV enjoys China's second highest popularity rating. China has 3,000 television stations.

Ferreira Lima reported that this type of cooperation is already in force with the Radio Phonic station and with the BRAZIL NEWS AGENCY.

[Begin Ferreira Lima recording] We broadcast the Beijing Radio signal to Latin America. Our agency is already transmitting Chinese news to all Brazilian newspapers. We want to intensify this, not because of the protocol of intention, but because it is a Brazilian Government objective. [end recording]

Ferreira Lima added that over the next few months, Radiobras will start operating cable television services under the name of NTV. The services will offer round-the-clock environmental and newscat programs.

Brazil: Controversy Arises Over Private Satellite Plans

PY1806180296 Sao Paulo GAZETA MERCANTIL in Portuguese 11 Jun 96 p C1

[Article by Heloisa Magalhaes]

[FBIS Translated Text] The call by Communications Minister Sergio Motta on 10 June at the Americas Telecom fair for offers to launch and operate the first Brazilian private satellite, may be rather late. This is true at least for Class [expansion unknown] — one of the enterprises created to render the service — which comprises Globo Organizations, Bradesco [Brazilian Discount Bank], and other partners. Globo Vice President Roberto Irineu Marinho reports that Class is reconsidering its project to launch two satellites, and may even delay its plans.

Marinho explained that Class executives designed the project in 1993, and since then has been discussing with the Communications Ministry a proposal to first launch two satellites to operate on the KU frequency band, which is mostly used for cable television signals, because it can operate with small parabolic antennas. As Brazilian laws did not permit private initiatives in this area, even the idea of a partnership with Telebras [Brazilian Telecommunications, Inc.] was considered, but it did not work.

With the delay of congressional analysis of the law to transform that state monopoly in the sector, Globo Organizations decided to sign a 15-year contract with Intelsat to start rendering DTH-TV — direct-to-home television — services in 1996. "Since the KU band was not available for cable television signals, we decided to reconsider the project," Marinho said.

Communications Ministry specialists have said the process of opening the sector was slow. However, with more awareness by congressmen about the issue, the modification of the rules of the sector will move faster. The specialists believe the Class project came before the opening of Brazilian telecommunications.

A faster opening was mentioned at Americas Telecom on 10 June. Yet in the afternoon, at debates in which the representatives of several countries presented their models, there was a consensus that most countries are reconsidering their policies. Minister Motta recalled that the United States, for example — the world's most outstanding example of openness — has just revised its legislation, and despite the small private sector participation in the sector, it has only recently transformed the structure of monopolies in some services. He added that Europe opened in 1992, through the EU, while state monopolies will be fully eliminated only in 1998/99.

Brazil: Sao Paulo PMDB Section Split on Mayoral Candidate

PY1906205396 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 17 Jun 96 p A7

[Article by Luiz Augusto Falcao]

[FBIS Translated Text] The municipal convention of the PMDB [Brazilian Democratic Movement Party] yesterday approved the name of former Deputy Joao Leiva as candidate for Sao Paulo mayor and Carlos Apolinario as running mate on his ticket. This decision does not ensure their participation in the 3-October elections because the name of the party candidate depends on a court decision.

The only names in the PMDB voting ticket until yesterday were those of Leiva and Apolinario. Federal

Deputy Jose Aristodemo Pinotti, who won the party convention held on 2 June — which was immediately annulled by the municipal PMDB board — did not attend the meeting and asked that his name not be included on the ticket.

The delegates also ratified the annulment of the party meeting that elected Pinotti and voted on two different tickets for councilmen. Of the 270 convention members, 258 voted for Leiva, 4 annulled their vote, and 8 cast blank votes.

For Leiva, who already considers himself an official candidate, the attitude of Pinotti has divided the party. "The PMDB has split as a consequence of the traitors," he said. He added that the list of traitors is headed by Pinotti, federal Deputy Alberto Goldman, and Political Coordination Minister Luiz Carlos Santos. "They are behind a plot that intends to get part of the PMDB to support Jose Serra, who is candidate of the PSDB [Brazilian Social Democracy Party]," he said.

Pinotti still considers himself in the race. He said: "We will settle that problem in court." He will contest before the Regional Electoral Court the legality of the convention held yesterday. He added: "The case demonstrates a change of attitude within the PMDB, whose candidates have always been imposed." The disagreements could also cause a third alternative: If the judicial battle continues, the PMDB will have no candidates.

Jose Queiros, president of the Vila Mariana PMDB chapter, and who is one of the oldest PMDB members, suffered a heart attack during the party convention at the city hall, and died in Vergueiro Hospital. His wake was held at the party headquarters.

Brazil: 10 Killed During Farm Occupation in Maranhao State

PY1406153296 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 14 Jun 96

[FBIS Translated Text] During last week's occupation of Siquel Farm in Buriti Cupu County, Maranhao State, 10 squatters were killed and an unconfirmed number of people injured.

Police reports state that the farm was occupied by 400 landless rural workers families, although the farm owners had obtained from the court an order for repossession of the land. The Maranhao State security secretary is now at the site trying to solve the problem. The atmosphere is tense.

Military Household Chief Alberto Cardoso and Agrarian Reform Minister Raul Jungmann have left for Buriti Cupu to evaluate the dimension of the clash between the landless families and the farm security agents.

Presidential Spokesman Sergio Amaral has stated that data received at Planalto Palace is inconclusive. President Fernando Henrique Cardoso has regretted the conflict.

Brazil: Landless People Accused of Murdering Farmers

PY1906010296 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 18 Jun 96

[FBIS Translated Text] A Federal Police report asserts that there has been no shootout and charges the Landless Peoples' Movement [MST] with ambushing and killing three employees of the Cikel farm at Buriticupu, Maranhao State, last week. The report adds that the fourth victim was not a member of the MST. He was a lumberman who was at the farm and was also murdered.

The MST members occupied the farm and killed four people. Later on, they set the bodies on fire. The Federal Police report, which was released today, will now be sent to the Justice Ministry.

The report confirms that there has been an ambush and holds six MST members responsible for the death of four people at the Cikel farm. The report also reveals that many of the people who have occupied the farm had come from National Land Reform and Settlement Institute settlement areas.

According to the Federal Police report, Ruben Cavalcanti and Jose de Ribamar Sales, who have headed the farm occupation, are responsible for the deaths. In addition, the Federal Police also hold Wesley Moreira, Gilvania Ferreira, Rosa Lira, and Raimundo Ferreira Lima responsible for the deaths. They will all be indicted.

[Begin recording] [Unidentified reporter] Was it an ambush?

[Federal Police Agent Sidnei Lemos] Yes, it was an ambush and four innocent people were killed. [end recording]

The MST refutes the Federal Police report and says that there has not been an ambush but a conflict.

Brazil: Commentator Views Conflicts Over Land Ownership

PY2006033596 Rio de Janeiro O GLOBO in Portuguese 14 Jun 96 p 20

[From the "Economic Panorama" column by Miriam Leitao: "Land Conflicts"]

[FBIS Translated Text] Very seldom has this country experienced a time so favorable for the implementation of the agrarian reform. Never before, however, has this country been so close to the worsening of agrarian conflicts. In the case of the Maranhao State farm where there has been a recent confrontation, for example, the dispute had already been settled: The farm was proven unproductive and was about to be expropriated. It was just a matter of time. But there was no time, however, to prevent the conflict and the deaths from occurring.

The Landless Peoples' Movement [MST] is going through a process that is quite common in those movements: Successive acts of dissidence make the movement's discourse more radical and different groups begin to make decisions independently from the traditional leaderships.

The federal administration had already detected the presence of dissident groups within the MST and was fearing this split in the movement's leadership. Nowadays, there are several barrels of power in the country. The area where the recent conflict occurred in Maranhao State is one of them.

The federal administration is afraid that similar explosions may occur in the south of Bahia, in the Pernambuco and Alagoas sugarcane plantations that are in crisis, on the Paraguayan-Mato Grosso border, in Rondonia, in the eternally conflictive region in the south of Para, in the Minas Gerais-Goiais border, and even in Rio Grande do Sul.

In the south-southeast area, the bureaucratic machinery is prepared to prevent conflicts from becoming worse, as they did at Pontal do Paranapanema county. In the more remote areas of the country, however, a small incident is enough to trigger conflicts.

Tensions have been accumulating as a result of decades of inequities in the countryside. These tensions are made worse now by a movement whose interest is not only to settle people. During the occupation of the National Land Reform and Settlement Institute headquarters in Bahia, the movement has also shown that it is becoming acephalous.

Nevertheless, this is the right moment to implement the agrarian reform in Brazil. Public opinion is in favor of the reform, the Army has donated land, and Congress began to defeat the ruralist bloc as occurred on 12 June at the Constitution and Justice Committee when summary proceedings for agrarian reform purposes was approved. Even the economic situation works in favor of the agrarian reform. Now that the economy is stable, it becomes too expensive to keep land as valuable reserves, because it represents the loss of an opportunity of making profitable investments. In addition, the Bank of Brazil is not the same old one that always pardoned its debtors' debts.

On 13 June, Agrarian Reform Minister Raul Jungmann signed with the Bank of Brazil an agreement establishing that the land the debtors gave as guarantee to the bank will be sold, through Agrarian Debt Bonds for agrarian reform purposes. Jungmann is intensively working in favor of the agrarian reform.

This time everything seems to be contributing to change the situation of the Brazilian countryside, particularly because these changes have been so repeatedly postponed. There is no guarantee, however, that the agrarian reform process will now have a happy ending.

Brazil: Daily Says Russian Voters at 'Crossroads'

PY2006011496 Sao Paulo FOLHA DE SAO PAULO in Portuguese 18 Jun 96 Section 1 p 2

[Editorial: "Russians at Crossroads"]

[FBIS Translated Text] The virtual tie that occurred during the first round of the presidential elections in the Russian Federation, the world's second largest nuclear power, has disclosed two surprising facts. The difficult thing, however, will be to determine which fact is more important.

It is surprising to see that, by voting for the neocommunist candidate, nearly one third of Russian voters showed that they still long for the old regime, despite the aberrations and disappointments engendered by the 70-year rule of the Soviet Communist Party.

It is equally surprising to see that another third of Russians voted for the incumbent president, Boris Yeltsin, despite his administration having inflicted on them the pains provoked by a quick transition from communism to capitalism.

One may come up with dozens of interpretations of this phenomenon, but the fact — which cannot be disputed — is that the Russian people are today practically divided into two blocs having an altogether different view of the situation they are confronting.

To a certain extent it is understandable for Russians to be divided. No one had any doubt that the transition to a market economy was going to be a complex, even traumatic process. Many of those who had dreamed of having access overnight to the "extravagances" of the West have had to deal instead with unemployment, with the dismantling of the protection system that had been in force in Russia as a backdrop. To that portion of the population, it would be understandable to long for revisiting the "ancien regime."

At the same time, the new system — which is still in the building process and which counts on a good dose of help from the West — has managed to garner the support of one third of the population, who either believe that the transition process is irreversible, who belong to a new elite, or who are simply afraid of returning to the past.

The fact is that in July the Russians will have to choose between the current proposal and one that would be more focused on social problems. It will be up to the people to decide. What will be paramount then is that the decision be made within a democratic process.

Brazil: Italian Mafia Member Arrested in Bahia

96GE0050A Rio de Janeiro JORNAL DO BRASIL in Portuguese 6 Jun 96

[Report by Marcia Gomez — received via Internet]

[FBIS Translated Text] Salvador — Last Monday, Federal Police captured Italian Mafia member Giovanni Dalena, aged 35. A member of the La Rosa family, and the third-ranking man in the Sacra Corona Unita faction, he had been sought by Interpol for the past 12 years.

His arrest was announced yesterday by the Federal Police Superintendency of Bahia. Dalena is accused by the Italian police of heading over 200 Mafiosi linked to the Neapolitan, Sicilian, and Calabrian Mafias. He is also charged with committing a total of 30 crimes, including 20 murders, as well as narcotics trafficking, extortion, arms smuggling, illegal gambling, and prostitution. In his deposition, Dalena denied the crimes and his membership in the Italian Mafia.

The capture took place while Giovanni Dalena was walking along the streets of Itapoa in the direction of the beach. He carried no documents, but was identified by three Italian policemen who were aiding the Federal Police investigations.

The Federal Police superintendent in Bahia, Joel Almeida de Lima, claimed that Giovanni Dalena entered the country five months ago, with forged documents, through the Brasilia airport. He later traveled to Recife, passing through Olinda, and arriving in Salvador, where he remained for the past 15 days at a rented house in Itapoa. Dalena was on vacation, and intended to stay in Bahia with his family. His wife, Maria Teresa, is imprisoned in Spain, also accused of involvement with the Mafia.

Interpol detected Giovanni Dalena's presence in Brazil during February of this year. He has been sentenced by the Italian justice system to 13 years and four months in prison, in connection with trials involving 180 persons linked to the Mafia.

After two years of incarceration in Italy, he managed to escape to Madrid, Spain, where he was jailed, but escaped again. This time, he chose to hide in Florida, in the United States, later traveling to Brazil.

The Federal Supreme Court [STF] has already ordered the preventive imprisonment of the Mafioso, and the Italian Government has sent a request for his extradition to the Brazilian justice system. He will be confined at the Federal Police facilities in Bahia. During the next few days, he will be transferred to Brasilia, where the STF will have to decide on his extradition.

Brazil: Internet To Provide List of Wanted Traffickers

96GE0050B Rio de Janeiro JORNAL DO BRASIL in Portuguese 30 May 96 p 10

[Report by Vasconcelo Quadros]

[FBIS Translated Text] Sao Paulo — The Federal Police are organizing a listing of Mafiosi (with all the influential names in the hierarchy of organized crime), to be divulged through the International Computer Network (Internet). The list will include both foreign and Brazilian criminals who are operating in the drug trade and acting as links between the cocaine cartels and the various branches of the Italian Mafia. Officer Roberto Precioso Junior, of the Sao Paulo Federal Police, remarks: "Brazil is a strategic site for the Mafia."

For the present, the names included on the Federal Police "home page" (http://www.dpfsc.gov.br) are those of the persons who ordered the murder of the rubber tree tappers' leader, Chico Mendes, (namely, Darli Alves da Silva and his son, Darci Alves Pereira). It also lists engineer Miguel Rodrigues Ourofino, who was involved in receiving bribes associated with public works in Florianopolis. The engineer fled from Brazil with his girlfriend, Meire Mendes Ourique, and became famous in 1994 for appearing on television among the fans attending the World Cup games in the United States.

At the top of the list of Mafiosi are three Brazilians: Antonio Motta Graca, aka "Curica," identified by the Federal Police as one of the leading men in the drug traffic, convicted, and a fugitive from justice; the pilot, Ivanildo Carlos da Rocha, known as "Ivo" or "Rochinha," linked to the Colombian cartels and also a fugitive; and lawyer and business administrator Claudio Lorenzon Petenucci, head of a ring known in the country as the Pan-Am Connection, for having sent tons of cocaine to the United States with the aid of employees of the Pan-American Airline Company. The trio (who have been eluding the police for years) have in common their links with various cartels and branches of the Italian Mafia. They have been involved in large cocaine shipments passing through Brazil.

Connection

Precioso comments: "All of them belong to so-called organized crime. They are operational workers for the Mafia, creating the connection between the drug producers and the consumer markets." Another Mafioso whom the Federal Police will expose on Internet is Israeli Rubens Tanami, one of the major cocaine traffickers who has already passed through Brazil. He was arrested in Sao Paulo during 1991, but escaped the next year from a Federal Police cell in Brasilia, along with Umberto Ammaturo, an Italian Mafioso belonging to Camorra. Ammaturo bribed an agent, traveled to Venezuela, was recaptured, and is now in an Italian prison. Tanami escaped and, according to the police, is still operating in the drug traffic.

The Federal Police are exploring the possibility of also including on Internet the names of international criminals who had previously been operating in Brazil and later disappeared. The listing, containing scores of names, will be updated periodically by Interpol, based on captures or new requests from the Italian police. The extensive data collection began to be compiled at the end of the 1970's, upon the arrest, in Sao Paulo, of Tomazzo Buschetta, the repentant Mafioso who made a deal with the Italian justice system and revealed the structure of Cosa Nostra.

After this, the Federal Police caught scores of Italian gangsters in Brazil, all implicated in the cocaine trade. The most recent prominent Mafiosi discovered in Sao Paulo have been Francesco Toscanino, a member of Camorra (now returned to Italy), and Antonino Salamoni, whose extradition was refused by the Federal Supreme Court. Salamoni is currently living in Sao Paulo and, according to police sources, is very ill.

The presence of Mafiosi in Brazil has always been linked to major cocaine trafficking operations, and has been associated with Brazilian criminal groups specializing in the transportation of drugs, an activity that has for years used international rings as intermediaries.

Brazil: Africans Arrested at Airport With Cocaine

96GE0050C Rio de Janeiro JORNAL DO BRASIL in Portuguese 28 May 96 p 21

[Report by Marcelo Moreira]

[FBIS Translated Text] The "cocaine kamikazes" are back. After their failed attempt to entice European youths to operate in the cocaine traffic from South America to Europe, the chiefs of the so-called "Nigerian Connection" (an international trafficking route using Rio as an emporium) are again using men and women from Nigeria or other African countries to transport drugs. In less than a week, the Federal Police captured five Africans, four of them Nigerians, and all carrying cocaine in their stomachs.

The lack of an X-ray machine for use on persons at the Rio International Airport has made Rio the leading exit gateway for traffickers using their own bodies to conceal drugs. Besides its lack of the machine, the Rio airport offers one of the best infrastructures for flights and schedules involving travel abroad. The cancellation of the direct flight to Lagos (Nigeria) has made the flight to Johannesburg (South Africa) the favorite of the "mules," a nickname given to those carrying drugs.

Last week, policemen from the newly created Narcotics Repression Group, who were set up at the airport to heighten repression of the drug traffic, arrested two Nigerians. On Sunday night, three more Africans were arrested while preparing to board Varig flight 205 bound for Johannesburg. They were Kamaria Paraiso, aged 26, a native of the Congo; and Nigerians Udo Ojokwunge, aged 28, and Fabiam N'nnely, 24. The police became suspicious of the three subjects' nervousness.

After interrogating the Africans and checking all their baggage, the police decided to take them to the Fundao Hospital, where they were X-rayed, and the cocaine was found in their stomachs. All three were escorted to the Souza Aguiar Hospital, in the city's center, to undergo stomach pumping. According to the latest bulletin issued, the three men have already expelled 57 cocaine capsules. To prevent the capsules from bursting inside their stomachs, the Africans use surgical gloves lined with insulating tape to contain them.

Each capsule can contain as many as three grams of cocaine. Depending on the "mule's" endurance capacity, he can carry over 1 kg of the drug. The bursting of one of the capsules is fatal. The person experiences a sudden, high state of euphoria, followed by convulsions leading to death within a few minutes.

The Federal Police in Rio reported that the latest arrests bring the number of Africans awaiting trial for drug trafficking to 23. This year alone, six of them were caught carrying drugs in their stomachs.

Brazil: Roundup of Economic Reports Through 17 Jun

PY1706235596

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 17 June.

BASIC LEADING INDICATORS

New Gold Mine Dedicated — The Vale do Rio Doce, CVRD, today dedicated in Caete, 53 km from Belo Horizonte, the seventh largest gold mine in Brazil with a capability to produce 700 kg of gold per year. According to CVRD the new unit will generate $9 million per year. The CVRD says that the company should produce 31 tonnes of gold per year by the turn of the century thus becoming one of the 10 largest companies in this field in the world. The Caete mine which was dedicated by Mines and Energy Minister Raimundo Brito represents the creation of 200 direct jobs and 300 indirect jobs in the region. The useful life of the mine, which was inactive for the past 280 years, and it is estimated to last five more years, with the possibility of an extension for the same period. (Sao Paulo AGENCIA ESTADO in Portuguese 2355 GMT 14 Jun 96)

FINANCIAL OPERATIONS

Foreign Investment Flow Reaches Record Peak — The credibility of the Real Plan abroad has helped increase the volume of direct foreign investments in Brazil during the first five months of the year, breaking a 15-year record. Between January and May, the Central Bank, BC, has registered a net $3.268 billion worth of foreign investments. Direct investments surpassed applications in portfolios, stock exchanges, and funds, which were formerly preferred by foreign capital. Thus, applications in the financial market amounted to $2.946 billion and are equivalent to a little more than 10 percent of the total gross $28.3 billion of long-term foreign capital (longer than 360 days) that entered in the country during the January-May period. Marcio Cartier Marques, chief of the BC Foreign Capital Department, says that direct foreign investments in services, especially finances, telecommunications, and electricity are increasing considerably. The BC considers a direct foreign investment an investment that buys more than 10 percent of the voting stock of a company or more than 20 percent of the common stock of a company. (Sao Paulo GAZETA MERCANTIL in Portuguese 11 Jun 96 p a1)

Alcatel Announces $250 Million Investment — Alcatel President Serge Tchuruk announced during the Americas Telecom meeting in Rio de Janeiro that Alcatel Telecommunications will make a $250 million capital investment in Brazil as part of its strategy to recover from the losses it suffered worldwide last year. Alcatel sales in Brazil last year amounted to $400 million and the group is now betting heavily on the alliance signed with Hughes Corp. to install a complete infrastructure for cellular telephone services in Brazil. Tchuruk says that before restructuring the factory, Alcatel first needs to win some bids once the B band opens to private initiative. The plan is to turn the Brazilian subsidiary into a software production central for the Latin American countries. According to Tchuruk, Alcatel has 5 investment goals: Brazil, Germany, France, the United States, and China. (Sao Paulo GAZETA MERCANTIL in Portuguese 12 Jun 96 p c6)

German Company Buys Metal Leve — Metal Leve, a traditional car part industry founded in 1950 which manufactures pistons, pins, and sleeves with net equities worth R176.1 million and sales of R244.4 million in 1995, was sold on 11 June to a conglomerate made up of Mahle, from Germany, Cofap, Car Part Manufacturing Company, and Bradesco, Brazilian Discount Bank. This operation represents the first great step toward the globalization of the national car spare part industry to seek greater competitiveness. Coordinated by Bradesco, partner of the two Brazilian companies, the sale was mediated by the J.P. Morgan Bank, where the contract was signed. It involved a $60 to $70 million transaction. In 1995 Cofap registered losses amounting to R16.5 billion and Metal Leve registered losses of R20.1 million. The operation is the result of the challenge Brazilian industry must make to reduce costs and increase its productivity, by manufacturing car parts at prices compatible with the international market. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 13 Jun 96 section 2 p1)

Inmarsat Offers Rural Telephone Service — The Inmarsat consortium, an international satellite services company, is negotiating a partnership with Telebras, Brazilian Telecommunications, Inc., to implement a public telephone system for rural areas. During the Americas Telecom meeting, Inmarsat presented a public telephone operating on solar battery. Inmarsat and Telebras are considering to create a new company to serve rural and remote areas. The system includes two options: Telephones installed in farms, hotels, or in remote communities. At the beginning of this year Embratel, Brazilian Telecommunications Company, increased its participation in the Inmarsat consortium from 1.45 percent to 2 percent, thus becoming a medium-size investor, after having invested $12 million in the project. The consortium has 79 participants, and Brazil is one of its council members. (Sao Paulo GAZETA MERCANTIL in Portuguese 13 Jun 96 p c6)

Ericsson To Manufacture Cellular Telephone Equipment — Ericsson Telecommunications plans to begin to build mobile cellular telephone equipment in its factory in Sao Jose dos Campos, Sao Paulo. The company is only waiting for the B band to begin operating in Brazil to begin its project. Ericsson already produces fixed telephone centrals for traditional telephone services as well as commuter and control centrals for cellular telephone systems. Ericsson currently controls 35 percent of the Brazilian cellular telephone market. It has installed systems in the states of Parana, Santa Catarina, Minas Gerais, and in the Sao Paulo ABC region. (Sao Paulo GAZETA MERCANTIL in Portuguese 13 Jun 96 p c6)

Embratel To Combat Frauds — Embratel, Brazilian Telecommunications Company, will call to a bid in October for the installation of six regional centers to combat frauds in the cellular telephone system with an investment of $10 million. They will be located in Curitiba, Sao Paulo, Rio de Janeiro, Belo Horizonte, Brasilia, and Salvador and they will prevent the so- called "clones" in the cellular telephone system by which a user illegally uses the frequency of another number. Losses with frauds during the first four months of the year amounted to $1.6 million in Sao Paulo, according to Telesp, Sao Paulo Telecommunications, Cellular. The regional control centers will be linked to the cellular centrals. A specific software will analyze the profile of the client. If that profile changes suddenly, the operator will contact the client and if the fraud is confirmed, the calls will be automatically blocked. Telesp is also implementing PIN or Personal Identification Numbers on its new telephones. Through this system, the central will only accept calls after the client dials a four- digit code, thus blocking pirate calls. (Sao Paulo GAZETA MERCANTIL in Portuguese 13 Jun 96 p c6)

FISCAL, MONETARY ISSUES

New Repayment Conditions To Repay States Debts — The DIARIO OFICIAL DA UNIAO has published on 13 June a provision by the Finance Ministry authorizing the States, the Federal District, municipalities, and their direct and indirect administration organizations to repay their debts with the federal government in up to 72 monthly installments. The provision is meant for negotiated debts contracted exclusively with the federal government that fell due last 31 May. (Sao Paulo AGENCIA ESTADO in Portuguese 1433 GMT 13 Jun 96)

Equity of Pension Funds Reported — According to a study carried out by the Brazilian Association of Closed Private Pension Entities, Abrapp, the equities of the Brazilian pension funds amounted to $62.4 billion in April. This represents a 0.6 percent real increase in relation with March and 5.7 percent in relation with December 1995. Abrapp President Nelson Rogieri said that the pension funds are recovering their position after the losses they suffered in 1995, which rendered them the smallest gain registered since 1991 which was 0.66 percent. The profitability registered in April was 3.65 percent. Their investments are distributed in the following manner: $18.2 billion worth of shares, representing 29.2 percent of their investment portfolio; $9.2 billion worth of term deposits, or 14.5 percent; $8.8 billion worth of real estate or 14.2 percent; $8.2 billion worth of investment funds or 13.2 percent; $4.6 billion in operations with sponsor companies or 7.4 percent; $3.74 billion worth of debentures or 6 percent; and $3.71 billion worth of public securities or 5.9 percent. Of the leading 10 private pension funds, only Aerus from Varig and Transbrasil, with $1.031 billion, and Itaubanco, with $951.5 million, are sponsored by private companies, holding the 8th and ah positions respectively. The absolute leader is Previ, from the Bank of Brazil, which owns $16.3 billion; then comes Funcef, from the Federal Savings Bank with $5.5 billion; Petros, from Petrobras, with $3.7 billion; Centrus, from the Central Bank with $3.023 billion; Sistel, from Telebras with $2.9 billion; CESP Foundation, from CESP, CPFL, and Eletropaulo with $2.6 billion; and Valia, from the Vale do Rio Doce Company with $1.5 billion; and last of all, Real Grandeza from Furnas, with $796.7 million. (Sao Paulo AGENCIA ESTADO in Portuguese 1837 GMT 13 June 96)

Internal Debt Increases by R10 Billion — The federal administration has had to increase its debt in securities by 10 billion reals, R, in a single month, May, as consequence of the Program to Encourage the Reorganization and Strengthening of the National Financial System, Proer, and of the record inflow of dollars into the country. The debt in Treasury bonds which in July 1994 was R59.5 billion, has climbed to R138 billion last April, not including the increase of May. According to government experts, the Central bank, BC, granted R6 billion to the Proer which in turn gave R1.7 billion to the Federal Savings Bank who bought the housing contracts of the former Economico Bank. An additional R2.9 billion were used to cover part of the Economico Bank debts which were transferred to the BC. The remaining R1.4 billion were not specified but it is considered that they were transferred to the Nacional Bank which had already received R5.9 billion from the Proer. The government debt also increased as result of the inflow of $3.7 billion in May. Since the dollars that enter the country must be exchanged for reals, the government has to issue titles to withdraw the excess currency from the market. According to experts, the impact of the dollars on the monetary base was a little less than R2 billion. The monetary base ended by increasing by R1.5 billion, reaching the total of R19 billion during the second quarter or the year, almost the limit estimated by the administration. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 13 Jun 96 p 16)

Interest Rates Figures — Commerce continues charging 17.35 percent interest rates per month, or 582.01 percent per year, even after the Financial Operations Tax, IOF, was reduced and the basic interest rate monitored by the Central Bank, BC, is gradually dropping. On the average, interest rates charged to consumers were 10.01 percent per month or 214.19 percent per year in May, which is slightly below the 10.61 percent charged in April. This is absurdly high, said Miguel Jose Ribeiro de Oliveira, vice president of National Association of Administration, Finances, and Accounting Executives, Anefac. The association studies the interest rates published in newspaper ads from Rio de Janeiro, Sao Paulo, and Porto Alegre. Most of the ads are from small or medium-sized companies. The average 17.35 percent monthly interest rate was registered among stores that sell gym equipment. The lowest interest rate which is 3.58 percent per month or 52.51 percent per year, applies to car sales. Oliveira said that consumer credit interest rates do not accompany the reduction of financial applications interest rates. Fixed income investors gain a maximum net 1.7 percent per month, or 22.42 percent per year. Savings passbooks only pay between 1 and 1.2 percent monthly. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 14 Jun 96 s2 p1)

PRIVATIZATION

Funds Raised From Light Privatization Allocated — The resources obtained from the sale of Light, Power Services, Inc., have a defined destination, said Eletrobras, Brazilian Electric Power Company, Inc., President Firmino Ferreira Sampaio. Of the R2.4 billion obtained from the Light sale, R1.983 billion will be for Eletrobras of which R680 million are in privatization currency and R1.303 billion in cash. The remaining R400 million remained with the minority shareholders. Eletrobras will use these resources to complement its annual budget and to make several payments like to repay overdue debts, income tax of Light, and payment of profits to the minority shareholders. The money from the sale Eletrobras will not only balance its budget but also guarantee resources for the next three years. (Sao Paulo GAZETA MERCANTIL in Portuguese 13 Jun 96 p B3)

TRADE ISSUES

Embraer Sells Jets to UK, French Companies — The newest product of the Brazilian Aeronautics Company, Embraer, the Emb-145 jet today returned from a 30-day tour of demonstrations in the Untied States. During the exhibition, Embraer sold eight of these airplanes to a British company and seven others were ordered by a French company called Regional Airline. Meanwhile, the U.S. company Continental Express is considering the purchase of 150 of these jets for $2.2 billion. Embraer President Mauricio Botelho also announced the creation of Embraer Credit Corp., ECC, to attract financing lines for foreign sales. ECC is associated with Kleinwort Benson, of England, and Dresner Bank of Germany. (Sao Paulo AGENCIA ESTADO in Portuguese 2251 GMT 11 Jun 96)

BNDES To Finance Exports — The National Bank for Economic and Social Development, BNDES, will operate like a Brazilian Eximbank through the expansion of its program to Finance the Production of Machinery and Equipment, Finamex, which will now include other sectors. So far, the Finamex gives credit, at very low interest rates, to capital good exporting companies. As of 20 June, it will finance the sales of textiles, shoes, and car parts. The Finamex, which was created four years ago, is still not strong enough to finance imports and exports, but through the signature of a protocol of cooperation between the BNDES and the Eximbank of Japan on 19 June, it will be reequipped and a group of BNDES experts will be trained by the Eximbank. This agreement was negotiated by BNDES President Luiz Carlos Mendonca de Barros, who also obtained a $300 million loan from the Eximbank to expand the Finamex budget. If the demand for credits is greater than the supply, the BNDES will ask the Central Bank for authorization to attract shorter term resources in the international market. The Finamex will mainly finance small and middle sized companies who have difficulties in obtaining credits. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 13 Jun 96 Business and Finance Section p 17)

Brazil: Roundup of Economic Reports Through 19 Jun

PY1906202796

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through June 19.

FINANCIAL OPERATIONS

Investment in Telecommunications — The Algar Group has announced that it is planning to invest up to $120 million to expand its cable television services to 37 Brazilian rural towns. The project will be implemented through the Lightel holding company, which is controlled by Algar, and it provides for interactive television services, including video on demand, and telecommunications. (Sao Paulo AGENCIA ESTADO in Portuguese 2130 GMT 14 Jun 96)

Domestic Debt Increases — The frustrated attempt to sell Banco do Brasil shares to the public has increased the public debt by 7.84 billion reals, R. The impact will be felt only in three years, after the maturity date of the bonds that were issued in May to capitalize the Banco do Brasil. The Treasury is now the bank's majority stockholder, with 68 percent of the capital. (Sao Paulo AGENCIA ESTADO in Portuguese 2334 GMT 14 Jun 96)

Investment in Malaysia — The ABB/CBPO consortium has won the bid to construct a 2,500 megawatt hydroelectric power plant in Malaysia. The consortium will also install an underwater power transmission cable joining the hydroelectric plant and Kuala Lumpur. The project will cost $5.5 billion and provides for the transfer of technology to Malaysia. The CBPO company belongs to Brazil's Odebrech group. (Sao Paulo AGENCIA ESTADO in Portuguese 1638 GMT 14 Jun 96)

Polish Investment — The state-run Polish PVL Mielic company — which assembles planes, helicopters, fighters, and turbines — will invest about $120 million in a plant in Anapolis, to produce 180 planes per year. The planes will be destined for use in agriculture. The plant, which will have 350 employees, will start operating on 31 July. (Sao Paulo GAZETA MERCANTIL in Portuguese 14 Jun 96 p B18)

Telebras Installs Public Phones in China — Telebras has installed some 100,000 card-operated public phones in San Shi Province, China. The phones, built with technology developed by Telebras, are being tested. The Brazilian enterprise will also build a phone central in the area. It was chosen to provide the public phones because of the cheaper cost of cards. (Sao Paulo AGENCIA ESTADO in Portuguese 2219 GMT 17 Jun 96)

PRIVATIZATION

Portuguese Company Interested in Cellular Services — Portugal Telecom announced on 14 June that it is negotiating a consortium to bid to exploit cellular phone services on the B-band in Brazil. The enterprise announced that it will give preference to investments in the northeastern region and in Parana. (Sao Paulo AGENCIA ESTADO in Portuguese 2338 GMT 14 Jun 96)

Consortium Awarded Railway Operation Concession — The Tacuma consortium, led by the Rio Doce Valley Company, has been awarded a 30-year concession to operate the Center-East section of the Federal Railway Betwork. The concession was awarded during a short session at the Rio de Janeiro stock exchange, for R316.9 million. During the first four years, the concessionaire will invest R320 million in reducing the risk of accidents. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 15 Jun 96 Business and Finance Section p 17)

TRADE ISSUES

Argentine Oil Sales to Brazil — Brazilian diplomatic sources announced that during the first half of 1996, Argentina provided 135,000 barrels of oil per day, thus becoming the main supplier. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 18 Jun 96 p 17)

Alternative Cellular Phone Services Offered — Ysai Okuyama, president of the Japanese DDI Corporation, has contacted Telebras representatives to offer the Personal Hand System, which is a technological system that replaces cellular phones. Okuyama explained that 2,4 million people are using the system in Japan, where it costs $400 per unit. It may not be used in a moving vehicle. (Sao Paulo GAZETA MERCANTIL in Portuguese 17 Jun 96 p C6)

Chile

Chile: Frei Leaves for Italy To Sign Agreement With EU

PY2006032396 Santiago Universidad Catolica Television Internacional in Spanish 0100 GMT 20 Jun 96

[FBIS Translated Text] Chilean President Eduardo Frei left today for Florence, Italy where he will sign a trade agreement with the EU. In addition to joining Mercosur [Common Market of the South] this is one of the decisive steps to integrate Chile with the rest of the world.

[Begin recording] [Unidentified reporter] President Frei was seen off at the international airport by his wife, and the interior and defense ministers.

A few minutes before boarding the Chilean Air Force [FACh] plane taking him to Italy, President Frei mentioned the importance of the agreement Chile will sign in Florence with the EU and also the entrance of Chile in Mercosur.

[Frei] It is our intention to achieve these agreements with the purpose of ensuring the access of Chilean products to new markets, and to add more value to Chilean exports. In so doing we will be able to consolidate the development of our country and improve the standard of living of Chileans, their salaries, and employment levels. We are extremely pleased.

[Reporter] The FACh plane is scheduled to arrive in Italy at 1400 on 20 June. President Eduardo Frei is scheduled to be back in Chile at 1900 on 25 June. [end recording]

Chile: Chuquicamata Miners Sign New Contract

96SM0346A Santiago EL MERCURIO in Spanish 15 May 96 p C6

[Article by Otilia Huerta]

[FBIS Translated Text] Calamau—After a painstaking revision of the text over a three-day period, the new collective bargaining agreement that establishes a contractual relationship between the Copper Corporation (Codelco Chile), Chuquicamata Division, and its 6,929 employees, was signed yesterday after 1900 hours.

This marked the culmination of the collective bargaining process in 1996, which was characterized by an atmosphere of confrontation and mistrust, both between the parties and between the representatives and their principals. One upshot was a 10-day legal strike, which caused losses of more than $25 million to businesses and to the country.

The ceremony began with speeches by the presidents of the six unions involved in the process. Each of them acknowledged the errors they had made during the negotiations, which were termed historic. For the first time ever, all trade union organizations in the copper industry were united behind a common proposal. At the same time, however, they emphasized that what they have obtained with this new contract is better than the results of the last four contract negotiations.

General Manager Nelson Pizarro Contador began his speech by recalling the objective of this collective bargaining period. "We wanted to satisfy the interests of both sides," he said. "The Chuquicamata Division has made a tremendous effort to optimize the collective bargaining agreement that expired on 30 April of this year by recognizing the enhanced contribution made by the workers without compromising the competitiveness of this company."

The new collective bargaining agreement, which applies to the 6,929 Roll B workers with contracts who are members of Locals 1, 2, 3, and 5 of the Execution Engineers Union at Chuquicamata, and Locals 1 and 2 at Antofagasta, retains all of the benefits contained in the contract that expired and offers a number of improvements to the workers and their dependents. First, with respect to compensation, the salaries prevailing as of 1 March 1996 will be adjusted on 1 May to reflect changes that have occurred in the lagging CPI [Consumer Price Index] in March and April, resulting in a raise of 1.7 percent.

It also makes other improvements in the cost-cutting bonuses and the annual bonuses, among other financial incentives, which amount to a total increase of 12 percent.

Meanwhile, the six unions at the Chuquicamata Division responded yesterday to United Labor Confederation (CUT) President Roberto Alarcon's criticisms of the previous evening by saying that he "is not in any moral or practical position to judge from a distance the collective bargaining we have just completed."

Chile: Lota Miners: Enacar No Longer Viable

96SM0346B Santiago LA NACION in Spanish 13 May 96 p 13

[Article by Maria Eliana Vega]

[FBIS Translated Text] Lota—Coal miners no longer feel like fighting for the viability of the National Coal Enterprise (Enacar) as they did two years ago. They have lost faith in the company's ability to achieve the operational equilibrium called for in Plan 2001. Today, all they want is for the government to guarantee them a safety net for that time when they inevitably must leave.

Uncertainty—which is a recurring theme in the mining industry—has become a permanent feature of the lives of the 1,834 miners in Lota. That is why the union leaders have gotten tired of fighting. "We have always cooperated with the various management teams in charge of this company, and we have worked hard to find ways to keep the company afloat in the long run. But no more; we workers are still being put off, so now we leaders are going to fight for something that will assure us of some security."

This assessment by unified union leader Vicente Gutierrez is shared by his colleagues Hector Cartes, Rolando Burgos, and Eudaldo Sanchez, the latter being the president of the union. Recognizing this fact is painful for them, but they said it would be even more painful to allow Enacar to follow in the footsteps of Schwager, which closed its doors in 1994, leaving its 2,100 employees out in the cold.

It seems contradictory for these leaders—and also the members of Locals 1 and 6—to be rejecting Plan 2001 today and asking for protection for the workers, when only two years ago they risked everything to get the government to believe in the viability of the mine and grant the resources they requested. In fact, it was thanks to their efforts that $22 million was allocated to the Enacar bailout.

The leaders say there is no contradiction, however. "When we leaders honestly believed in the viability of the company and worked to convince the government, we knew full well that we workers could achieve it. But today it is clear to us that this company has no future," explains Eudaldo Sanchez.

Consequently, they would prefer that the $15 million that remains to be paid out under Plan 2001—$7 million has already been invested in machinery purchases—be put into a fund to give the miners some kind of protection for when they are forced to leave the company.

They are not certain of the formula. They know that it will not just be a "retirement bridge," but in fact they will submit a proposal along those lines to the government. "It makes no sense for the state to continue losing money on a plan that will not be successful," says Rolando Burgos.

But the leaders want to make it very clear that the workers are not to blame for this failure. "We fought in the street for the government to give us the resources to invest in the mine. It is not our fault that the plan failed. We workers have always made an effort, and we did so at great expense, even out of our own pockets. We did not bring Enacar to the situation it is in today. It is the various managers of the company who are to blame; they were put there by the government administrations, and they were there just to pay back political favors," claim the union leaders.

The fact is that no less than four different management teams have held the reins at Enacar since 1990. And that translates into a constant state of insecurity. Hector Cartes sums it up: "The managers of this company are always just passing through, and that affects us, because every so often we are thrown into uncertainty, without knowing what is going to happen."

Chile: Problems With Export Model Viewed

96SM0346C Santiago EL MERCURIO in Spanish 19 May 96 pp B3, B12

[Article by Carolina Gazitua P.]

[FBIS Translated Text] Although there is no consensus on the export figures for 1996, it is widely acknowledged that this will not be a good year for sales abroad, especially compared to 1995. But the export sector is more concerned about the medium term than about the present situation. Projections for this year vary depending on the scenario that is posited. ProChile Director Jean-Jacques Duhart, for example, says that in the worst of cases there will be a virtual stagnation ($16.16 billion) compared to last year, and in the best of cases, total exports will amount to $17.2 billion. The way things are going, he does not believe there will be a decline in exports as predicted by the National Exporters Corporation.

That entity last week estimated a 10.4-percent drop in shipments abroad, which would mean total exports of about $14.785 billion. This projection is reportedly based on seasonal variations in sales abroad between April and December of each year, when export values tend to slide.

If this prediction were to come true, it would be the first decline in exports faced by this administration. Both sources point out, however, that the gloomy situation this year should be put in perspective. According to Cristobal Valdes, president of the National Exporters Corporation, last year brought an extraordinary windfall for exporters: "Almost all of the markets were very active in terms of the quantity of demand and the level of prices." This circumstance is relatively difficult to maintain, as we have seen this year with the fall in the prices of copper, cellulose, and salmon, among other products.

To see how exceptional a year 1995 was, a look at the figures suffices: Duhart recalls that 1994, when exports jumped 26 percent, saw a recovery from the decline in shipments experienced in 1993. But in 1995 they continued growing at a pace of nearly 40 percent, topping $16 billion. This barrier was not expected to be broken until much later.

Warning Lights

The primary cause was the spectacular increase in prices, which are now supposedly subsiding again. Though this fact is a mitigating circumstance, it is no excuse for fatalism. Just because we are primarily exporters of raw materials, that does not mean we should resign ourselves to being inevitable victims of the ups and downs in commodity prices. Diversification and increased value added have been the traditional response, and we have made progress in that direction.

Jean-Jacques Duhart notes that if we examine exports in terms of the amount of processing, we see that whereas in 1987 natural resources accounted for 69.2 percent of all exports, in 1994 they had fallen to 55.9 percent. Exports of processed natural resources (including cellulose and fishmeal), on the other hand, did just the opposite: During the same period, they climbed from 26.3 percent to 32.3 percent. Industrial goods, which involve the most processing, rose from 4.5 percent to 11.8 percent.

According to the director of ProChile, this is an ongoing process in which many new activities that involve more processing are based on natural resources. As a result, constellations of production are created.

When we look at the rate of diversification by company, market, and product, the situation is less promising. The initial impetus has slackened, which worries exporters.

Looking at the extremes, the figures appear positive. Although in 1989 a total of 1,500 different products were exported, in 1995 that figure rose to 3,647 items. During that same period, the number of markets grew from 120 to 167, while the number of companies involved went from 3,500 to 5,840. The greatest buoyancy was seen in the early years, however, and after about 1992, the rate began to decline, according to the graphs.

Cristobal Valdes definitely considers this loss of momentum a weakness of the export sector and a warning light that should be heeded. In his opinion, it is reasonable for the number of markets to be growing more slowly than before, since exporters are obviously selecting the best ones. "But I am concerned that the number of products is not growing. That means that we are no longer enhancing our competitiveness as we were before," he stated.

Moreover, in his view, although the lack of growth in the number of exporters could be attributed to natural selection, in which only the fittest survive, "it also has to do with the fact that the businessman who could have been an exporter at 450 pesos to the dollar cannot be at 403 pesos to the dollar today," he concluded.

The Dollar Again

Thus, the issue of the dollar once again comes to the fore in explanations of the export sector's plight. This is especially true in recent weeks, when the observed rate of the dollar hit the bottom of the range and the Central Bank had to begin buying foreign exchange.

Although this may sound like a well-worn theme to many, exporters feel it month after month in their pocketbooks, especially in the sectors with the greatest value added, explains Valdes. This is because the higher the UF [Unidad de Fomento] cost included in the product, the greater the penalty when the price of the dollar falls.

For example, he cites an exporter who sells $1 million worth every month. In March he received 411 million pesos; in early May, however, he received 403 million pesos. "Being just as efficient, he lost two percent, 8 million pesos, which is very significant on margin," he states.

In Duhart's view, the exchange rate is just one more issue among a series of factors that are causing the pace of diversification to flag, a trend which he finds disturbing. He also mentions other internal factors such as the increase in labor costs, and external factors such as the higher level of competition, the fact that Chile has become a major force on many markets, making us even more vulnerable, and finally, the changing terms of competitiveness, in which quality, productivity, food safety, and environmental concerns take on great importance.

In his opinion, the fall in the exchange rate is a structural trend that arises out of the very success of the process. Valdes, on the other hand, cites the case of the Asian countries, "practically all of which have maintained very high exchange rates over very long periods of time." The exporter believes that the current level of the dollar is not at equilibrium. Chile has a very risky exposure to adverse cycles in developed economies and to sudden plunges in commodity prices, he explains. "This should suggest to us that it is good business for the country in the medium and long term to have a high real exchange rate, and that we need to have a policy of consistent and sustained support for the export sector," he stresses.

Globalizing Model

With regard to the medium term, however, Duhart emphasizes the need to move on to a new phase. "This one is coming to a close; it is showing signs of lagging momentum," he points out. In his opinion, therefore, we should devise a new framework that will allow us to regain our impetus.

According to his analysis, from now on it will no longer just be a question of developing the export sector "but of throwing ourselves headlong into the process of total internationalization." He believes that the challenge for the future is not just how to export, but also "how to facilitate the rapid internationalization of our businesses; the goal is to create more and better international businesses." What this implies, he notes, is that we must figure out not only how to continue exporting more, but also how to invest more abroad and how to forge alliances with other companies to maintain competitiveness. In this manner, we would go from a mere export model to a globalization model, "not as a cliche," he cautions, "but because we must add other elements in order to maintain the dynamic pace of economic growth."

To achieve all of this, he believes it is necessary to define a clear strategy, which will entail reworking existing tools. For example, what will take the place of the simplified refund system that is being dismantled? In addition, investment in export promotion and international businesses will have to be increased, and tax mechanisms will have to be developed, among other things. Within this context, explains Duhart, ProChile is also taking these new challenges into account in rethinking its role.

Is the exchange rate the panacea for the export sector? Bringing to mind cases such as Japan, Valdes contends that "countries must make a certain commitment to those sectors that are the most important for their interests. In Chile's case, we have a stated policy of supporting the export sector, because it is in the country's interest to keep it competitive and to maintain its status as a major employer."

In his opinion, the export sector requires only minimal support, "meaning that the exchange rate should remain at realistic levels." What level? "We think an observed exchange rate of 440 to 445 pesos to the dollar would enable us to regain our competitiveness and evaluate development projects in the export sector in realistic terms, within the projections that can be made in the world economy, which is so dynamic."

Which formula will finally prevail remains to be seen. But whether it involves strengthening the exchange rate, boosting globalization, devising new policies specifically to support the sector, or a combination of all of these, the fact remains that the model as it stands today should be updated.

[Box, p B12]

Different Circumstances

Overall export figures conceal sometimes quite dissimilar circumstances.

The declines in copper and cellulose that have affected exports in these sectors are well known, although in the first case, the increase in production this year will more than make up for the fall in the price of the metal in terms of total export value.

The salmon industry has also endured more depressed prices in the first quarter, although Cristobal Valdes says that prices have already risen by more than half a dollar above the low that they hit, and there are reasonable expectations that in the next few months they will climb another half-dollar per kilo, at least.

As for fruits and vegetables, Valdes says that the number of boxes exported rose by about 10 percent in the first quarter, and data suggest that prices in general have been slightly better than last year.

One sector where some interesting growth is expected is agroindustry. According to Valdes, estimates call for a rise of more than 10 percent, although few concrete figures are available thus far, because exports typically begin to climb in the second quarter.

Meanwhile, there have been some surprises on the market. In Latin America, for example, between January and March 1996 there was an 8.1-percent decline in the volume of exports compared to the same period of 1995. Manufactured goods, which account for much of the sales to that region, have been hardest hit, according to Valdes.

Gonzalo Hevia, drector and secretary general of Asexma, confirms this and notes that in the case of the Mercosur, for example, expectations for the region have not been fulfilled; exports to that sector dropped by 18 percent during the first two months of the year.

He also points to cases such as Mexico, which has exported much more since the devaluation of its peso. It has been a major supplier of markets such as the United States and Canada, and has sent surpluses to other countries, including Chile.

Chile: Commentary Views Perez Proposal

96SM0345A Santiago LA NACION in Spanish
16 May 96 p 5

[Commentary by Victor Maldonado, sociologist and member of the LA NACION Editorial Board: "Perez Yoma's Proposal"]

[FBIS Translated Text] The defense minister's recent remarks did not go unnoticed, for they relate to the future of the Coalition and imply some significant changes. It is important that a minister has recognized that it is vital for the party system to adapt to the nation's modernization process, as there is now a disconnect between the two realities that needs to be corrected.

It is, of course, clear that the minister believes that the Coalition is the only force capable of leading the nation today and of giving it stability. In his view, what has united and will continue to unite the coalition is an ideal that cuts transverally through all the parties: to achieve modernization while respecting the criteria of equity and solidarity.

But the innovative feature of his proposal is not found there, but rather in the fact that he maintains that the parties of the Coalition were born and consolidated in circumstances which were very different from today's circumstances. From this he deduces that they need to adapt to today's conditions. In his view, what makes integration among the parties difficult is the parties' antiquated and populist vestiges from the past. In other words, what drains dynamism from political modernization is the "coexistence of old and new," which "tends to paralyze the parties." From this Perez Yoma concludes that all the modernizing factions should join together to create a single force, making them as powerful as possible. That is what is new about this proposal.

Even though the minister does not commit himself to specific formulas for implementing his idea, he does say that "we cannot stay the way we are now." So the watchword is to get rid of immobilism.

A practical reason for innovation seems to be the manifest impossibility of changing the current binomial system, which makes the existence of small parties extremely difficult. If a 34 percent majority could be established as a "hard vote," at least half of parliament could be won.

At the present time, the Coalition's governability is being maintained by a series of mutual compromises which cannot continue indefinitely.

In essence, what Perez Yoma is proposing is to change the present coalition system for another one that is better able to deal with the binomial system. Otherwise, competition within the Coalition would be defined by voting, and in that process differences would become exaggerated, which would splinter coalition-building efforts.

What is not clear is whether the proposal refers to a strong alliance among the parties or to an alliance among the "modernizing factions" that exist in each of the parties, an alliance that would leave the "antiquated and populist" factions to one side.

Still, Perez also says that the conditions are right to form one of the two large parties that will have to exist in a binomial system. This means transforming the Coalition into something more institutional and structured.

A proposal's merits are measured by its ability to dispel unknowns. Problems seem to clear up and fade away once the proposal is made explicit, simply because it has the virtue of showing a clear and workable course of action.

That happened, for example, when some years ago Aylwin proposed defeating the dictatorship by using the same line of action that the dictatorship itself had followed. This was a bold and simple proposal indicating a course which was also feasible. This did not mean that putting it into practice would be easy, but anyone who was convinced of its viability knew what to expect from it.

None of that is true with the minister's idea. In the first place, it is quite evident that the number of unknowns, far from diminishing, has tripled. Before this proposal, it was not really known how to make the Coalition stronger. Now no one knows what type of Coalition to make stronger: a unification of parties, of modernizing factions, of personalities?

Moreover, most people who are active in a party are committed to their party not from mere calculation, but because they hold values and beliefs which they consider of great importance. An artificial attempt at a merger goes beyond what is either tolerable or necessary. If attempts were made to create such a merger, new and unforeseen problems would be added to the ones that already exist.

In other words, there is nothing worse than trying to satisfy a need that no one feels. In essence, the minister's attempt seems motivated by an extremely pragmatic interest. Rather than setting a course of action, he is converting pragmatism itself into the course to be followed. That would impoverish politics, not enrich it.

Still, the proposal's greatest merit is that it opens up a debate which cannot be put off any longer; we hope that the gauntlet which he has thrown down will be picked up.

Chile: Parties Comment on VAT Level Proposal

96SM0345B Santiago EL MERCURIO in Spanish 23 May 96 p C2

[FBIS Translated Text] The PPD [Party For Democracy], RN [National Renewal], UDI [Independent Democratic Union], and the PC [Communist Party] yesterday spoke out separately in opposition to the financing proposed by the government to carry out the educational reform and educational infrastructure reform plans, and suggested alternatives to keeping the value-added tax [VAT] at 18 percent.

The government's plan was supported and defended only by the PDC [Christian Democratic Party] and PRSD [Radical Socialist Democratic Party].

The groups that oppose keeping the tax rate at its current level want to lower the VAT to 16 percent in order to comply with the agreement which the government and the Coalition parties reached with the opposition two years ago. That would, they say, provide relief for the budgets of middle-income and lower-income groups.

While they did agree about reducing the VAT from 18 to 16 percent, RN and UDI opposed raising the tax on businesses from 15 to 20 percent, which is one of the options proposed by the PPD and the PC to finance part of the ambitious educational reform plan announced by the president in his state of the nation message.

The PPD, RN, and UDI agreed that another financing option is to sell to a majority partner shares in the state-owned hydroelectric plant Colbun, S.A., as well as in some other state enterprises, including Codelco [Copper Corporation]. In the opinion of the Party for Democracy, the AFP [Pension Fund Administration Boards] could purchase 10 percent of these shares, bringing in revenues to finance social plans, including the educational reform.

In his message, President Frei called for financing part of the educational reform with two points of the VAT. The reform includes doubling the length of the school day, building over 40 new secondary schools, and upgrading the training of over 25,000 teachers and academics.

In the Coalition the first person to express reservations about the financing for the reform project was the PPD president, Deputy Jorge Schaulsohn, who supports lowering the VAT to help middle-income groups and workers. He said that new revenue sources should be sought to carry out the government's education plans.

He did say, though, that he definitely supports the chief executive's education proposal, because reforming and improving education is the principal task that the nation needs to undertake if it wants to leave poverty and underdevelopment behind.

But he said that the plan should not be partly financed from the VAT, which is now at a level of 18 percent, and as an alternative he suggested funding this project by selling Colbun, S.A. and some other resources, thereby avoiding any necessity of altering the tax agreement reached with the opposition two years ago.

Other options proposed were selling 10 percent of Codelco to the AFP, which would bring in 2 billion pesos, and raising the business tax from 15 to 20 percent.

Schaulsohn suggested some other options which, without raising taxes, could bring the Treasury additional annual revenues exceeding $170 million. He noted that each point of the VAT translates to revenues of approximately $250 million.

The PPD had earlier proposed eliminating tax subsidies for people who purchase first-issue shares and Article 57 bis, which it called "tax profiteering" for the most powerful sectors of society; eliminating tax exemptions on earnings from popular capitalism shares, and some other steps. These measures, according to the PPD, would generate additional tax revenues of $130 million a year.

PC Wants Salary Increases for Teachers

Communist leaders Gladys Marin and Guillermo Scherping agreed with RN and the PPD about not wanting to keep the VAT at 18 percent. They said that maintaining this percentage places a heavy burden on the poorest groups in society.

However, they did appreciate and termed positive Frei's announcement about education, especially the lengthening of the school day and the increased investment in infrastructure; but, said Scherping, "it is very important to us to see how this is going to be worked out, especially the financing method which the president announced."

As this is an integral reform, Scherping proposed that the government should say whether teachers' salaries will be improved to reflect the increased length of the school day.

Absolute Opposition

The center right parties yesterday agreed in opposing the executive's idea of financing the education reform by keeping the present level of the VAT, because that is not necessary, they felt, and in addition it would mean disregarding agreements reached when the maintenance of the tax reform was discussed, which called for lowering this tax to 16 percent.

RN's president, Andres Allamand, said today that if the government tries to send such a bill to Congress, his party will oppose it. Allamand said that the education reform which President Frei wants to promote can be financed perfectly well with the increased tax revenues generated by the growth Chile is currently experiencing.

He noted that during the 1993 presidential campaign the then candidate Eduardo Frei and the Coalition pledged not to raise taxes and said that such a commitment was also made by the center right candidate, Arturo Alessandri Besa. He added that the president's plan can be carried out if there is good management, "for in recent years we have seen that investments in health care doubled, but in the end those funds simply evaporated."

Allamand said that he supports Schaulsohn's idea. Schaulsohn, he said, gave a good signal by proposing that the AFP might invest in Codelco. "In this way copper would make a greater contribution to our national economy, which is perfectly capable of financing this desirable initiative."

He maintained that in 1993 a law was passed which stipulated that next year the VAT was to decline to 17 percent and then to 16 percent. "So if the president wants to keep the rate at 18 percent, he needs to send a bill to Congress to repeal that law. If he does so, we will oppose it because the VAT is one of the most regressive taxes there can be, and it primarily hurts the middle classes and people with more modest incomes," emphasized the RN leader.

The UDI leadership also opposed a possible tax hike, and in general was critical of President Frei's speech reporting on his term in office.

According to UDI's message, some issues that are vital to the nation were overlooked, and no mention was made of the repeated failures in international policy matters (a reference to the dispute causing Chile to lose the Lake of the Desert).

DC-PRSD Defense

The president of DC [Christian Democracy], Alejandro Foxley, and the vice president of the PRSD, Jaime Campos, agreed yesterday that underlying the executive's proposal to finance the new special education program by keeping the present level of the VAT is the principle of solidarity.

Both party leaders addressed the issue, and spoke of the criticisms which the opposition made of the executive's proposal. Foxley noted that when he was finance minister in President Aylwin's administration, they proposed raising the VAT from 16 to 18 percent and making that level permanent, believing that the nation has such pressing needs that it would require tax revenues of that level on a permanent basis.

"Solidarity has a cost and it has a price tag. The cost is that everyone has to contribute in some way so that disadvantaged children can have equal opportunity, and the benefit produced is a more just and more modern country," declared Foxley. In addition, he said that businesses will benefit by having employees with better skills and training.

No commitment is being broken, said the party leader, as this is a proposal to the nation, a proposal about which all Chilean households are in agreement, that we should all make an effort so that our disadvantaged children will get a better education. This is not merely an economic issue, but a matter of ethics. It involves the economy of solidarity which we want to create, and on which the DC places special emphasis.

As to the opposition which both RN and the UDI have expressed to keeping the VAT at 18 percent next year, the PDC president said that the nation would not look positively upon a right that continues to obstruct all important initiatives intended to move the nation forward.

Chile: Survey Shows High Environmental Awareness

96GE0044A Santiago LA NACION in Spanish 17 May 96 p 2

[Article by Jorge Escalante]

[FBIS Translated Text] Santiago—Citizens have given low marks to the administration, Congress, and business in dealing with the environment, according to the findings of the latest survey by the Center for Contemporary Reality Studies (CERC).

Eighty-nine percent of the respondents felt that it is urgent to address environmental problems, and 83 percent identified our native forests as the main natural resource threatened by the prevailing development model.

The poll was conducted in March among 1,240 persons over the age of 18, in 29 cities with more than 40,000 inhabitants, from the 1st to the 10th regions; this cross-section covers 67 percent of the population. The poll has a significance level of 95 percent.

In the view of CERC director Carlos Huneeus, the findings are "revealing" and "ought to be food for thought for the administration, lawmakers, and businessmen."

The percentage of people who according to the survey attached major importance to the environment (89) "is similar to what is found in the advanced countries and even exceeds the average in the European Union."

Little and Nothing

The "great dissatisfaction" with what the administration, Congress, and business are doing about the environment is graphically illustrated by the 61 percent who are of the opinion that the administration is doing "little" to protect it, while just 10 percent think that "it is doing nothing."

As for lawmakers, 50 percent said "they are doing little" and 29 percent that "they are doing nothing." Businessmen get the worst marks, as 52 percent think "they are doing little" and 33 percent that "they are doing nothing."

Huneeus considered it "serious" that in a country whose economy is posting sustained growth, thus strongly impacting the environment, only half the people realize there is a public institution in charge of safeguarding it, and that of those 50 percent 45 percent do not know which one it is.

Even more serious, in his judgment, is the fact that more people believe Greenpeace and Conaf [National Forestry Corporation] are the public institutions in charge of protecting the environment, and that Conama

[National Environmental Commission], which actually is, is identified as such by only 11 percent.

It is understandable that Conama was so identified, given the widespread concern about protecting native forests, which 83 percent said was our most overexploited resource. Seventy-one percent also feel that marine resources are being overexploited.

The CERC feels that the authorities ought to pay attention to these findings. It also cites as a significant issue "the tension between economic growth and environmental protection, which is one of the major topics of political debate and conflict in the advanced democracies."

It feels that this creates a task "of the utmost importance, requiring effective institutionalization so that the interests of economic agents are properly reconciled with civic interests."

The findings show that concern about the environment is to be found in all social groups, regardless of class or political affiliation. Therefore, it is an issue that cuts across our entire society.

Huneeus concluded by saying that his center is publicizing this poll to help turn the environment into a priority for government, economic agents, and citizens alike, "among whom there is a consensus as to its importance, but who naturally disagree about the policies that ought to be pursued to preserve it."

[Box, p 2]

Support for Astorga Clan

The poll also sought to gauge the extent to which people support or oppose the battle that the Astorga family is waging in the Maipo Canyon. Many regard this battle, and the one that the Pehuenches are fighting in the Upper Biobio, as the most important symbolic struggle by a group of citizens against the environmental impact of a major industrial project.

The finding was that 58 percent expressed "a great deal of" or "quite a bit of sympathy" with the family. The question was straightforward, as people were asked whether they agreed with "taking over lands through which the gas pipeline will pass as the only way to defend a nature preserve."

When the responses are cross-checked against intended party vote, 69 percent who identify with the Socialist Party support the family, as do 67 percent who are behind National Renewal, 63 percent of Christian Democrats, 58 percent of Party for Democracy supporters, and 48 percent with Independent Democratic Union leanings.

In the view of Sara Astorga, a member of the family, the support that it has received in its struggle "fills us with joy because for the first time we know that throughout the country a majority of people are with us in defending our way of life. We are very happy about this, and it gives us even greater strength to try and win with dignity."

Chile: Native Forests in 'Critical Situation'

96GE0044B Santiago EL MERCURIO in Spanish 23 May 96 p C5

[Article by Lilian Duery A.]

[FBIS Translated Text] "On the threshold of the next century, Chile's native forests, which covered much of our territory before the Spanish conquest, have been reduced to a third of their original size. Given the extensive destruction in the past and the current rate at which forest resources are being extracted, in particular lumber, chips, and firewood, we can objectively conclude that many of Chile's forest ecosystems will disappear in the coming decades."

Thus reads the preface of the book "Ecologia de los Bosques nativos de Chile" ["Ecology of Chile's Native Forests"], edited by Drs. Juan Armesto, Carolina Villagran, and Mary Kalin, researchers in the Science Department of the University of Chile. The 469-page work, sponsored by the university's Technical Department of Research, represents an effort by the national scientific community (36 authors) to publicize current knowledge about these resources in light of the chief conceptual and empirical advances of ecology.

The book, which contains numerous maps, graphs, illustrations, and photographs, is a collection of studies by Chilean and foreign researchers into various aspects of forest ecosystems, from their geological setting and transformation over time to the prospects for their future management as a source of manifold resources and services.

The authors indicate that in order to reverse the current critical condition of these native resources "the traditional practices of forest management must be transformed and a nationwide effort must be made to broaden and enhance the distribution of protected areas both public and private."

They go on to say that the limited application of environmental criteria is the main reason for the mounting loss of biodiversity and for the deterioration of biological mechanisms for regulating the water and nutrient cycles that have affected forest systems the world over. They mention that advances in this field, particularly as regards the workings of ecosystems, the conservation of forest species, and natural processes of post-disruption regeneration, have helped to promote major changes in such practices in Europe and North America.

Still, they assert, "the decisions about the future of Chile's native forests seem to remain anchored in the past."

Unique Species

The book emphasizes that our native forests, classified as temperate forests, possess a striking degree of endemism (species found nowhere else in the world) among their vascular flora, estimated at 34 percent. This category includes ferns, conifers (cypress, larch, Chilean pine), and angiosperms (oak, lingue, cinnamon, tepa). It adds that most of them belong to genera or families with only one species. The list includes, for example, the olivillo [type of mock privet], the lapigeria, the myrtle, the larch, the mountain cypress, the ciruelillo, the keule, the tepa, the botellita, the coicopihue, the medallita, the manio (female), the tepu [small tree of the myrtle family], etc.

As with the flora, the book mentions that the fauna of our temperate forests also show a high degree of endemism. Chapter 21 notes that this applies to 50 percent of the fish species, 80 percent of the amphibians, 36 percent of the reptiles, 39 percent of the birds, and 33 percent of the mammals. Moreover, these endemic species are threatened in the range of 100, 63, 20, 23, and 64 percent respectively.

The book also notes that some conifer species in our native forests are among the oldest in the world, in particular the Chilean pine, the mountain cypress, and the larch. All could be over 1,000 years old. In fact, the book reports that it was recently confirmed that the larch is the second oldest species in the world: 3,600 years. The annual growth rings of these species, it is emphasized, represent a unique record of climate change over the past centuries in the southern hemisphere.

Moreover, a great many of the trees in Chile's temperate forests yield high-quality wood, particularly the larch, cypress, oak, Chilean pine, manio, lingue, ulmo, evergreen beach, lenga, and tepa. "In spite of the acknowledged commercial value of these species, historically developers have not consulted with forest managers, which has led to their massive extinction locally and regionally. Owing to their precarious conservation status, the development of some of them is currently prohibited by law," the book notes.

Critical Situation

One of the authors, Dr. Juan Armesto, stated that the figures in a controversial Central Bank study are, in fact, "conservative," adding that the situation is most critical between the 6th and 10th regions, which contain the greatest biodiversity of plant and animal species. The average annual deforestation rate here is 2.4 percent, which means that if it continues, much of this natural wealth will be gone in 42 years.

"Regrettably, the most extensive growths of pine and eucalyptus are to be found precisely in these regions (between Maule and Chiloe). And the lumber industry has not chosen to undertake sustainable development of the native forests there. Of the almost 3 million hectares of private land, only around 5,000 are being managed in accordance with silvicultural criteria," he noted.

In his judgment, this situation can be reversed or stabilized if we decide to change how we manage our native forests, making the protection of biodiversity, in addition to production, our main goal.

Accordingly, he proposes a more intensive development of the lumber industry in the least biodiverse zones, between regions 11 and 12. Concurrently, the aim in regions 6 through 10 should be to promote the sustainable management of native forests (which means maintaining the productive capacity of the forest ecosystem with the same species found there originally) and to safeguard all the other goods and services that these ecosystems have to offer.

Achieving this goal will mean some degree of flexibility on the part of companies, inasmuch as the temperate forests are privately owned, with the exception of national parks and nature preserves. In addition, he added, "the state will have to support this initiative, and a future law will have to take an interdisciplinary approach in order to integrate the most essential components. For example, biologists have not been involved in drafting the current bill, even though biological resources are under discussion, nor have sociologists even though the use of these resources has a major social impact."

Chile: Doctors: Environmental Policy 'Failure'

96GE0044C Santiago EL MERCURIO in Spanish
15 May 96 p C7

[FBIS Translated Text] Medical Association officials spoke out yesterday against what in their judgment is the failure of the health authorities' environmental policy, indicating that "the complete lack of progress in combating pollution and the absence of encouraging prospects in this connection are clear" to citizens.

They indicated that the Environmental Health Service has not reacted to what they described as the "catastrophic" air quality situation in the capital as earnestly, promptly, and harshly as it calls for, adding that they do not understand why the bureaucracy is postponing the emergency measures that the situation demands.

The current secretary general of the association, Dr. Fernando Espina, along with his colleagues Ricardo Tusne, Jorge Aldunate, and Otto Dorr, all of them members of the association's Environment Committee, felt that it was an extremely serious matter that public health authorities had not given instructions to their counterparts in the Education Ministry to suspend physical education classes in schools.

They also felt that people ought to be told about the health risks of the current pollution levels.

The officials indicated that last Friday, "with pollution indices above the allowed levels, appropriate measures were not taken, in anticipation of their decline over the weekend." In their judgment this is altogether inconceivable, and consequently an explanation from the authorities is required.

In conclusion, they indicated that the ministry "seems fearful of taking measures to protect people's health, owing to potential pressure from organized groups," which they did not identify.

A Problem for All

Valparaiso—Health Minister Carlos Massad has indicated that there will be smog in Santiago for several more years because it is not the sort of problem that can be solved from one day to the next, but regarding this problem it cannot be claimed that no action has been taken.

He asserted that all Chileans are responsible for the problem.

The minister said that whenever problems of heavy pollution arise in the metropolitan region, the administration has always taken appropriate action and has ordered several other preventive measures, such as the requirement of a catalytic converter on cars and vehicular traffic restrictions up to several digits of drivers licenses [as published]. He added that his ministry has also taken the necessary steps to assure the safety of children with acute respiratory infections, which are often the result of the polluted air in Santiago. There was striking success in this regard both in 1994 and 1995.

Meanwhile, the director of the Metropolitan Health Service of the Environment, Dr. Mauricio Ilabaca, said that analyses were being done of the data submitted by various hospitals. In his judgment, the data are not consistent, as some hospitals have not posted substantial increases in respiratory ailments among either children or the elderly in comparison to normal levels at this time of the year, while others have seen some rise in these conditions.

Ilabaca admitted, however, that it is only natural to expect that more people will visit their doctor because of these problems, and that "it is a hard and cold fact that air pollution affects people's health."

Nevertheless, he said that he felt "angered" by the statements of his colleagues in the Medical Association, since there have been opportunities to discuss these issues with them and they were invited to see the monitoring stations; also, they failed to voice their criticisms when there was time to dispel doubts and reach agreement on the things that needed to be done.

Chile: Correction—Mercosur Origin List

PY1806144596 Santiago EL MERCURIO in Spanish 11 Jun 96 p B1

[Corrected version of PY1406113796, originally published on page 34 of the 14 June Latin America DAILY REPORT; passages between slantlines reworded for clarity]

[FBIS Translated Text] The Industrial Development Association, Sofofa, has said that the list of specific requirements of origin presented by Mercosur [Common Market of the South] to our country hurts industry in particular.

Therefore, Sofofa Foreign Trade Manager Hugo Bairlein said that his organization will reject an important number of requirements demanded by Mercosur because they are "unacceptable."

Bairlein traveled to Montevideo yesterday to represent Chile's private business before the Mercosur negotiators. The technical teams of Chile and Mercosur will meet from today until 14 June to define the norms of origin that will go into effect after an agreement is signed.

"There is no time left," said Bairlein. There is no time because the scheduled date for the signing of the agreement between Chile and Mercosur is 25 June.

The main problem of the specific requirements of origin, which were presented by Mercosur only last month, is related to the demand made by Chilean industrialists to include certain raw materials in the manufacturing of their goods. For example, the textile businessmen who design their goods with Italian material must now do it with material made in Chile or in any of the four Mercosur countries. This is necessary if they want to receive the benefit of the tariff reduction agreed upon with Mercosur for each product.

Bairlein said: "At the private level, there are businesses that are in a very complicated situation because they are obligated to buy raw material from the region, /either of lower quality or more expensive./ The imposition of specific requirements is harmful to national industry."

The Sofofa said the industrial sector that will be more affected by the specific requirement of origin is the one comprising producers of capital goods.

/The requirement is that 60 percent of a product's components must come from the region if it is to benefit from the tax refund, when now many products barely have 50 percent of regional components./

In this case, the Chilean negotiators will submit counter proposals to the Mercosur experts or they will reject the items that are troublesome.

The round of technical negotiations that begin today will be very important to decide if the free trade agreement will be signed on 25 June.

The negotiators will meet again on 17 June in Buenos Aires.

Colombia

Colombia: Senate Suspends Acting Attorney General

PA2006043796 Mexico City NOTIMEX in Spanish 0236 GMT 20 Jun 96

[FBIS Translated Excerpt] Santa Fe de Bogota, 19 Jun (NOTIMEX) — The Colombian Senate today suspended acting Attorney General Luis Eduardo Montoya, against whom the Prosecutor General's Office had issued an arrest warrant for having hindered the process aimed at clarifying drug trafficking contributions to the political process.

According to the Colombian legal organization, Montoya, along with Attorney General Orlando Vasquez, created an investigation into Prosecutor General Alfonso Valdivieso in order to hinder the investigations into the drug cartels' ties to local politicians. [passage omitted]

In statements to reporters, Montoya said that he will obey these legal decisions, because "I have always acted with respect for the institutions and the law."

Even though the acting attorney general tried to make a controversy out of the legal arguments that triggered his suspension, the Senate unanimously approved a request filed by the Supreme Court to separate him from his post in order to carry out the arrest warrant.

Just like Vasquez, Montoya will be confined to a house-jail [casa carcel] picked by the National Prison and Penitentiary Institute (Inpec), while the Prosecutor General's Office clarifies his legal status.

Colombia: 'Hundreds' Protest U.S. 'Intervention' at Embassy

PA2006015696 Madrid EFE in Spanish 0036 GMT 20 Jun 96

[FBIS Translated Text] Bogota, 19 Jun (EFE) — Gathering in front of the U.S. Embassy in Bogota, hundreds of Colombians demonstrated today against the "escalation of intervention" by the United States in this Andean country.

The protest, which disrupted traffic in important streets in the Colombian capital, was organized by three senators, three leftist political parties, eight labor confederations, and some social organizations.

A statement "in defense of threatened sovereignty and the fatherland" was read in front of the Embassy, located in a residential neighborhood in the western sector of the Colombian capital.

"During the current national political crisis, the U.S. intervention in our country has been intense, continuous, and blatant," the document stated. It added that pressure, espionage, blackmail, and threats form part of the "inadmissible interference."

The statement also questioned the U.S. military operations on the Panamanian border with Colombia, indicating that they are "strong indicators of a possible invasion of our country."

"Our Republic's most serious and pressing problem at this time is the escalation of U.S. intervention," it added.

The statement emphasized that "the Colombian Government must adopt a clear and sustained attitude of dignity, defending national sovereignty in the face of U.S. outrages and ending U.S. intervention in the nation's affairs."

Supporters of the Independent Workers Revolutionary Movement (MOIR), the Communist Party of Colombia (PCC), the Socialist Workers Party (PST), the United Workers Federation (CUT), and seven other labor federations participated in the protest.

Colombia: Samper Hopes U.S. To Abstain From Sanctions

PA2006031096 Mexico City NOTIMEX in Spanish 0015 GMT 20 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 19 Jun (NOTIMEX) — Colombian President Ernesto Samper today said that he hopes the United States will abstain from imposing commercial sanctions against his country after the Chamber of Representative's decision to exonerate him from presumed ties to drug trafficking.

"I do not believe there will be any sanctions; the current level of cooperation is acceptable, and I do not feel it would be good to strain relations that are advancing," Samper said during a visit to western Choco Department.

Although the United States expressed doubts regarding the congressional investigation that found Samper innocent, it announced that it will respect the decision and review its relations with Colombia on the subject of drug trafficking.

By a wide margin, the Chamber of Representatives (deputies) voted last week to drop the case against the president, in view of the fact that no evidence was found linking him to the presumed infiltration of money from the Cali drug cartel in the electoral campaign that took him to power in 1994.

Samper admitted that there are difficulties in the relations with the United States, but said that he trusts the two countries will overcome those difficulties and continue the joint struggle against the production and commercialization of drugs.

With regard to cabinet changes, Samper said that they will depend on the contacts he will make during the next few days with various political forces to define an agenda for "national reconstruction."

Yesterday, all the ministers submitted their protocol resignation in order to leave the president free to reorganize his cabinet.

Samper confirmed the 15 ministers in their posts and announced that changes will be "selective and timely."

In addition to his party, the Liberal Party, Samper has received support from a group of 38 conservative congressmen who have disregarded the conservative movement's policies and accepted Samper's invitation to join a unity government.

Today in Choco, Samper installed the commission for the study of a project to build an interoceanic canal, for which an international bidding process will be opened in January 1997.

[Madrid EFE in Spanish at 0104 GMT on 19 June carries a 200-word report datelined Santa Fe de Bogota which adds that, in an interview during the "Face to Face" television program, President Samper today dismissed the possibility of a U.S. blockade against his country, but said "Colombia is ready" for that eventuality. The report added that "Samper does not believe that the United States wants Colombia to become a 'pariah country,'" and said that "if that were the case, it would never achieve that objective, because Colombia has many international allies." He recalled that in the midst of the crisis, "the EU renewed the preferential trade agreement it gives Colombia for its struggle against drugs, and the Nonaligned Movement expressed its solidarity."]

Colombia: Samper Says Picture With Sarria 'Retouched'

PA2006015496 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 20 Jun 96

[From the "24 Hours" newscast monitored live from a retransmission by Lima Sistema Unido de Retransmision]

[FBIS Translated Text] [Announcer] In an interview with the "Univision" newscast, President Ernesto Samper said that the picture in which Elizabeth Montoya de Sarria appears standing right next to him was retouched.

[Unidentified reporter] President Samper said that the picture included in the book "From My Jail Cell" written by former defense minister Fernando Botero, in which the president appears standing right next to Ms. Sarria, Jesus Amado Sarria, and (Fernando Espinosa), was retouched. He said this during an interview granted to journalist Jorge Ramon from the Univision Television Network.

[Begin recording] [Samper] It has been proved that the picture was retouched. If you let me...

[Ramos] Of course.

[Samper] Do you see a silhouette here?

[Ramos] Yes.

[Samper] A silhouette? This figure was superimposed on the silhouette.

[Ramos] OK. This is one of them. What about Ms. Sarria?

[Samper] Do you see... [pauses] I have an arm around the room and back [as heard], and the hand that appears here, which is not seen in this picture, but in the original one, is not my hand. [end recording]

[Reporter] On another subject, on the "Face to Face With Dario Arizmendi" program, President Samper will rule out the possibility of appointing a military defense minister.

[Begin Samper recording] Every day I consider less and less the possibility of a general debating at political forums or taking over the political defense of the Armed Forces in Congress. [end recording]

Colombia: Envoy Says Venezuela 'Backing' Country

PA1906131696 Santa Fe de Bogota EL TIEMPO in Spanish 18 Jun 96 p 1

[Report by Maria Victoria Cristancho — received via Internet]

[FBIS Translated Text] Caracas — "Colombia knows that it can count on Venezuela." That is the phrase with which Sebastian Alegrett, the new Venezuelan ambassador to Colombia, is trying to demonstrate his country's solidarity regarding the U.S. threats to impose sanctions on Colombia following President Ernesto Samper's exoneration.

The diplomat will be arriving in Santa Fe de Bogota today to take charge of the Venezuelan Embassy. He will replace Abdon Vivas Teran, who left Santa Fe de Bogota in March to become governor of Caracas. Alegrett left the Venezuelan mission at the OAS to take on the mission in Colombia. In his own words: "It is worth the risk."

Alegrett is an economist doing diplomatic work. He describes himself as a man of integration and was educated at the Venezuelan Foreign Trade Institute. He was permanent secretary of the Latin American System, was member of the board of directors of the Andean Development Corporation, and was president of the Venezuelan Fund for Export Financing.

[Cristancho] What is the priority for you in this new mission?

[Alegrett] To intensify the things that have been taking place in this integration process of the last two years. An effort as important as this must be done in the cultural field, with a mutual understanding... There are some false images and stereotypes that must be discarded through this knowledge.

On the other hand, we are working on the creation of a legal department at the embassy that can handle cases of binational crime, including drug trafficking as well as car and plane theft, which are very irritating.

[Cristancho] What is your diagnose of the relations between the two countries?

[Alegrett] We are going through a good, interesting, and positive moment in spite of all the flashy news that come and go.

As far as Venezuela is concerned, Colombia prevails above all superficial considerations.

[Cristancho] How do you view Colombia at this time?

[Alegrett] I believe Colombia will have a very bright, very important economic future. Colombia is currently in a very good position as far as its diversified development, industry, agriculture, and now, its coal and petroleum industry, are concerned.

I believe Colombia will be an even better trade partner than it already is. That is why our intention to join Mercosur [Common Market of the South] is very important and we would like Colombia to accompany us.

[Cristancho] It is precisely in Colombia where there are fears about that Venezuelan rapprochement to the Mercosur...

[Alegrett] They are unfounded fears. The people who believe on the advantages of an open economy cannot be thinking about that. I do not believe that Venezuela's negotiation with the Mercosur can adversely affect our integration process with Colombia. On the contrary, Colombia and Venezuela must strengthen their positions and their ties even more by joining the Mercosur together.

[Cristancho] Venezuela is already negotiating with Mercosur by itself...

[Alegrett] The important thing is to get Colombia and the entire Andean Pact to accompany us. What we cannot do is stop and wait. We cannot stop to wait for the others. That has been one of the serious problems faced by integration efforts in the past. One country got stuck and the whole process came to a halt.

[Cristancho] What is Caldera's message for Samper?

[Alegrett] The message is that Venezuela will always be on Colombia's side regardless of the circumstances... We are sure that you will have the wisdom to find the solution to the current crisis through the democratic and institutional channels. We hope the solution will be the best one for Colombia and for all Colombians.

Whatever is good for Colombia will be good for Venezuela.

[Cristancho] What attitude will Venezuela assume if the United States carries out its threats to impose sanctions on Colombia because of Samper's exoneration?

[Alegrett] We have never backed any intervention. We are backing Colombia. We are an important trade partner for Colombia and we can become even more important...

It is not a matter of challenging anyone, it is simply that we do not support any intervention.

Colombia: Likelihood of Samper Finishing Term Viewed

96SM0385A Santa Fe de Bogota SEMANA in Spanish 18 Jun 96

[Received via Internet]

[FBIS Translated Text] "I am very clearly aware that it is my responsibility to lead the march toward the end of the horrible night." With this comment, President Ernesto Samper made quite clear what his adversaries were fearing: that, as soon as he was acquitted, the only thing he did not intend to do is leave willingly. They might possibly bring him down, but he would not leave willingly.

Day by day, the chances of someone bringing Ernesto Samper down are are becoming remote. No one in Colombia was able to do so. Despite the coalition of forces agglutinated against him, the president is alive and kicking. And if those forces were unable to sink the ship during the storm of the trial, one cannot envision how they could sink it now that the waters are calmer.

There are two principal reasons for the fact that the president has not fallen. The first is because the presidency in Colombia is an enormously powerful position. "Imperial" is the term that has been used to describe that power. The chief executive in Colombia is an emperor. He has sufficient resources available to benefit anyone who supports him, and to harm anyone who abandons him. This combination of the carrot and the stick has proven useful to Samper for keeping the Congress and the bureaucracy in his pocket, for neutralizing the economic groups, the military, and the trade unions, and for retaining the sympathy of half of the public.

To be added to the circumstance that the presidency of Colombia is an imperial power is the fact that Ernesto Samper has been the most skillful president in many years in the handling of power. The coincidence of such a great power and a political talent of the same dimension was required to be able to survive process 8000. In the case of Samper, both characteristics were present.

Another special feature of case 8000 is that it was perhaps the only scandal in Colombia's history in which all Colombians understood exactly what happened. As a rule, political scandals are highly complex and filled with nuances that escape the comprehension of the public at large. In this case, the majority of the people are familiar with what occurred. The differences revolve around the seriousness attributed by each person to the acts, but do not involve the acts themselves, regarding which there tends to be consensus. Most Colombians are convinced that the Cali Cartel offered substantial funds to the Liberal campaign; that candidate Ernesto Samper had knowledge of that offer, and did not reject it; that the money later entered the campaign, with Fernando Botero's authorization and Santiago Medina's handling; that, for a year, all three attempted to conceal the scandal; and that it finally exploded, amid betrayals and recriminations on the part of the leading players.

There is not much debate concerning the preceding events. The controversy begins with their interpretation. Whereas, to the ruling class, what occurred was extremely serious, to the public at large the seriousness was relative. Without considering Samper innocent, half of the Colombian people reached the conclusion that what he had done did not deserve his downfall. They did not see him as a "narco-president," but rather as an honest man who did not know how to keep his distance, and who may have committed an indiscretion, but did not, on that account, have to be the scapegoat for the sins of an entire society. Nor was that half of the public fully convinced that the ruling class that was demanding Samper's departure had the moral authority for doing so.

The president's acquittal in the House plenary session, rather than being the result of a collective bureaucratic bribe, was the outcome of the interpretation given to that sentiment by the members of Congress. In essence, the Congress is a reflection of the nation, and that was more evident than ever on this occasion. There is probably not a single Congress member who believes that the Rodriguez brothers' money could have entered the campaign against the will of Ernesto Samper. But, just as this is not a mortal sin in the Colombian provinces, it is not such in the eyes of the representatives of those provinces in the Congress.

And What About the United States?

The criminal case against Ernesto Samper was weak. The contradiction between the testimonies of Fernando Botero and Santiago Medina, the lack of clarity in the accounts, and the possibility that Medina may have kept part of the money made it difficult to convict him. There was abundant circumstantial evidence, but little absolute proof. Under such circumstances, it would have been logical for the House to accuse the president before the Senate, based on the existing circumstantial evidence, and for the Senate to exonerate him subsequently for lack of hard evidence. But this would have meant two trials instead of one, to arrive at the same result. The public, which does not make much of a distinction between the House and the Senate, would have been weary of the double spectacule. Owing to all these circumstances, Samper was acquitted.

Although many think that the real crisis will begin after the trial, this is not so clear. No crisis could be any worse than the one during the past year. If anything was left obvious during this interval, it is that the coalition that attempted to bring down the president failed. In view of this reality, it is quite likely that the only one that could do so from now on is the United States. Nevertheless, there is no certainty that it will do this. Although the U.S. Government wants Ernesto Samper to leave, it is not necessarily willing to resort to irrational excesses to attain this goal. The State Department's communique after the acquittal is one of disapproval, but not of war. President Bill Clinton's remarks were, rather, conciliatory. It is difficult for the U.S. authorities to overtly ignore the legitimacy of the juridical decisions of other countries' institutions. It is one thing to express dissent, but to take action relating to it is something else.

It is more useful for the United States to gain some mileage from Samper's weakness than to bring him down. The package of measures against the drug traffic that he announced in his speech last week is what the DEA and the State Department have always wanted. That country's government is realistic concerning the difficulty that exists in Colombia for the reinstatement of extradition. Hence, it is focusing on increases in prison sentences and expropriation of drug traffickers' assets as possible means of dismantling the cartels. Samper will go along with it, to please them on that front. However, it is not easy to pass bills in the Colombian Congress against the "narcos'" interests, because there is much electoral financing implicated in that. If Ernesto Samper, who has proven his ability to handle the Congress, manages to have the laws that he offered passed, he may possibly succeed in neutralizing the United States Government. Nevertheless, the greatest problem facing the president in this respect is the fact that the Congress has marched to him for everything except to pass laws against the "narcos." On the contrary, what it has always attempted in that regard is to hang "narco-riders" on the bills.

All this will be decided between now and the end of August, which is when there is to be a review of the certification process. In the meantime, the Americans may very likely revoke a few visas to satisfy the electoral interests of Clinton's reelection campaign. The United States authorities have considered the possibility of suspending Samper's own visa, but have not decided on this because of their fear that it may strengthen him. The chances of visas being revoked from a few ministers are greater. It is Ernesto Samper's hope that the episode involving Uncle Sam will end with the revoking of visas, but not with the imposition of trade sanctions.

With Whom Will He Govern?

The other question concerns the one with whom Samper will govern in Colombia. None of the traditional parties supports him in a unified manner, nor do the precandidates for the presidency. In that same category are ex-President Cesar Gaviria and Vice President Humberto De la Calle. Samper will attempt to attract these sectors during the coming weeks. But if they do not accept him, he is determined to govern with his friends. Since the traditional parties have virtually ceased to exist, he may possibly succeed in doing so. Day by day, the Conservative "lentils" are becoming the same size as that party's government group. As for the Liberals, there will always be prestigious figures, such as Morris Harf in his time, willing to accept. If it is necessary to replace the three ministers sub judice [under judicial consideration], Samper has among his options potential choices such as Maria Emma Mejia for the Foreign Ministry, Carlos Holmes Trujillo for the Interior Ministry, and Julio Molano for Communications.

Ernesto Samper now has sufficient instruments of power available to maintain himself for the present. Only an economic disaster could change this, but that type of disaster is usually slow and gradual. It is easier for a president to be brought down by a one point increase in inflation or unemployment. Every passing day from now on will work in the president's favor and, if he reaches 1997, many will feel that it is not worth the trouble to replace him for a single year.

The preceding picture is neither optimal nor advantageous for the country, but it is realistic. As the situation appears at present, it is possible that Ernesto Samper will turn over the presidential sash to his successor on 7 August 1998.

Colombia: Poll Shows 50 Percent Approve of Acquittal

96SM0383A Santa Fe de Bogota EL ESPECTADOR in Spanish 15 Jun 96

[Received via Internet]

[FBIS Translated Text] Half of the Colombian people believe that the acquittal of the president of the republic, Ernesto Samper, ordered by the House of Representatives during the course of the so-called "trial of the century," was fair.

This is indicated by a poll taken by the National Consulting Center for CM&.

The majority of those polled also think that Samper should remain in office.

In response to the question, "Do you approve or disapprove of President Samper's exoneration by the House?", 50 percent claimed to approve, 47 percent said that they disapproved, and 3 percent opted for a different answer.

Those queried also were asked: "Do you agree that the crisis has been surmounted and that President Samper should continue to govern?". The responses were: 54 percent agree, 42 percent disagree, and 4 percent gave a different answer.

By cities, the responses to the first question were: Bogota: approve, 56 percent; disapprove, 44; Medellin: approve, 36 percent; disapprove, 61; Cali: approve, 49 percent; disapprove, 47; Barranquilla: approve, 56 percent; disapprove, 43; Bucaramanga: approve, 56 percent; disapprove, 40; Santa Marta: approve, 50 percent; disapprove, 47; Cartagena: approve, 50 percent; disapprove, 50 [43 also given].

Technical Record

The technical record for the poll is as follows: contracting firm: CM& newscast. Polling company: National Consulting Center. Collection date: 14 June 1996. Universe: persons over age 18, residing in the cities of Santa Fe de Bogota, Medellin, Santa Marta, Cali, Bucaramanga, Barranquilla, and Cartagena. Sampling methodology: stratified random sample in households. Interview technique: telephonic. Size of sample: 400 persons. Topic: public opinion on the decision of the House of Representatives regarding the judgment of President Samper. Maximum sample error: 4.9 percent.

Colombia: Government Urged To Act 'Truly' Conciliatory

96SM0389A Santa Fe de Bogota EL ESPECTADOR in Spanish 18 Jun 96

[EL ESPECTADOR editorial — received via Internet]

[FBIS Translated Text] The country's reactions to the verdict of the House of Representatives have been contradictory, as was inevitable. Some respect it, with the argument that the mechanisms of the rule of law operated. Others have condemned it, arguing that to respect a judicial decision does not imply waiving the right to criticize it.

On the day following the decision, the president addressed us Colombians to propose methods that would facilitate governability, obviously based on the preexistence of a moratorium on hatred and a sincere reconciliation between the political and social forces.

Nevertheless, the language used by both the president and his interior minister in Barrancabermeja last Sunday was not a very effective inducement toward the invitation tendered by the chief executive to his fellow countrymen. His words and his conduct had come into conflict.

We ourselves, in our editorial on that day, put on record the fact that we were left in suspense regarding what could happen from now on, with the hope that the president will expend the effort promised, for the purpose of meeting his responsibilities to the country satisfactorily.

However, expecting that there would be reconciliation with threats or name-calling as inappropriate as that used by Minister Serpa against Hernan Echavarria means making oneself an obstacle to the chances of governing without the anxieties produced by the process in the Congress.

Therefore, it befits the government ("president and ministers") to consider the need for showing a uniform behavior, without splits in the strategy and action, leaving in the national consciousness the impression that it is truly attempting to foster a change of course in its relations with the parties, with the productive sectors, with the other branches of authority, etc.

We must be aware of the situation. What is happening to us, owing to its political and moral implications, has had no precedents. The country has been left traumatized, with sectorial collapses and with an economy which, this year, as the president of Fedesarrollo [Federation for Development] warned, failed to grow at the rate calculated before the proportions of the crisis were assessed. Emerging from the impasse to which we have succumbed will not be easy, and even less so if the atmosphere during the proposed recovery phase continues to be rekindled by the passions and inflammatory demands of the winners.

We had already said this previously: the crisis is continuing because it is being felt and having repercussions every day on the condition of the Colombian people. Surmounting it is a task requiring increased, enormous efforts, inasmuch as the anticipated standards have not been met. The support of the public is extremely necessary, and the government must be cautious in its application of the methods for achieving this.

What is in store for us is difficult, and it is not to be precluded that there may be sanctions on the part of the U.S. Government, which would be no less serious because of their being unjust. Consequently, there are two fronts that the Colombian Government is obliged to cover, if it is to avoid implications for the country with a more far-reaching political and economic effect.

While it is true that the expectations created by the House of Representatives' decision are different, the attitude of the president and his team will have to be different toward those governed, whose fate depends on the full exercise of the responsibilities incumbent on the former.

Colombia: Juan Carlos Gaviria's Family Issues Communique

PA1906164896 Santa Fe de Bogota EL TIEMPO in Spanish 18 Jun 96 p 1

["Text" of communique faxed from OAS Secretariat General's Office by the family of Juan Carlos Gaviria; date not given — received via Internet]

[FBIS Translated Text] "To clarify reports that have appeared in certain media, the Gaviria Trujillo family wishes to state in the most emphatic manner that the process that led to the release of our brother Juan Carlos involved no action or agreement of an economic nature and no payment was made to facilitate his release.

"Our family also wishes to reaffirm that it reached no agreement it has not already reported in detail or that is not already public domain."

Colombia: Air Force Pilots To Train in Nearby Countries

PA1906210396 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1700 GMT 18 Jun 96

[Report by Carlos Gomez; from "The Midday Newscast"]

[FBIS Translated Text] General Hector Hernandez, commander of the Colombian Air Force, told Caracol that in the future, the Colombian Air Force will have an exchange, particularly in the area of technical assistance, with pilots from Venezuela, Peru and Uruguay.

[Begin Hernandez recording] Within the framework of meetings, we agreed to have an exchange for the training of the various air forces. Within this context, Colombia will send its pilots to operate the flight simulator of the Venezuelan Air Force, while Venezuelan pilots will do the same in Colombia. In addition, Peru is interested in coming here to do their flight simulator exercises and we will continue to send our combat pilots to do their flight simulator training in Ecuador and Argentina. [end recording]

Gen. Hector Hernandez, commander of the Colombian Air Force, stated that Mirage and Kfir planes of the Colombian Air Force are being repaired, particularly, at the Palanquero Air Base, located a few hours from the capital of the Republic.

Colombia: Oil Company Puts Trust in Country's Future

PA1906221496 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 18 Jun 96

[Report by Luisa Eduardo Maldonado; from the Narino Palace; in "The Latest News" newscast]

[FBIS Translated Text] Kenneth Terry, executive director of the Arab oil company (Nimies), said this evening that in spite of Colombia's so-called political crisis, Colombia is the country that offers more guarantees to foreign investors. He met with President Samper for one hour to study new investments in Colombia. This is what he told journalists.

[Begin Terry recording] Regarding our point of view about stability in the country, our company has investments in many parts of the world, including Russia, Azerbaijan, etc., and Colombia is the most stable country in which the company has investments at this time.

Investors want stability when making investments in any country and we also want this stability in Colombia.

We know there is the possibility of a tax increase. Let's hope not, but these things happen. We, the group (Nimies), believes in a fair government, a government that will treat its investors responsibly. We trust in this. We also believe in the future of investments in Colombia. [end recording]

Terry refused to say how much the investment in Colombia will be, saying that this issue is still being discussed, but noted that the amount is significant and that it will be announced in the next few days.

Colombia: Samper on Interoceanic Canal Advisory Commission

PA1906182696 Santa Fe de Bogota EL TIEMPO in Spanish 18 Jun 96 p 1

[Received via Internet]

[FBIS Translated Text] A month after announcing the idea, President Ernesto Samper will install tomorrow, at a municipality of Uraba near the shores of the Atrato River, an advisory commission to conduct a study on an interoceanic canal.

This body will be tasked with coordinating everything related to an international bid for this controversial project within six months.

During an overflight of the region, some experts of the National Planning Department and consulting engineers will explain to commission members the possible routes of the project whose cost was estimated at $34.5 billion eight years ago.

The commission groups the ministers of transportation, finance, environment, defense, foreign relations, and the interior, and the director of the National Planning Department, the secretary general of the Presidency, and the presidential advisers for the new departments.

The group will be headed by Transportation Minister Carlos Hernan Lopez and will start to meet immediately to establish the terms of reference for the January bid.

To establish such terms, the ministry will summon the country's main consulting firms that specialize in infrastructure.

The project will consist of three phases. In the first one there will be a detailed study on the demand that the Uraba Canal would have in order to establish the number of vessels that would cross it each year.

This phase will also include a study on environmental variables and an evaluation of the possible impact of each alternative route. A biopark will be built in Darien simultaneously to canal construction to lessen environmental damage.

The second phase involves definition of the project and the third one definition of details, that is, costs, benefits, and exact construction site.

Starting tomorrow, the commission will meet every 20 days to follow up on the established program.

The most recent reference the government will use to structure the project is a study titled "New Peaceful Dimension for Colombia" that the Consultplan Company presented to the then Public Works Ministry in August 1988.

It noted that the route along the beds of the Atrato and Truando Rivers would be 165 km long and would allow vessels of up to 250,000 tons to sail through it.

The document pointed out that the total cost would be $34.5 billion, but added that the use of atomic explosives to remove igneous rocks of the Baudo Mountain Range could reduce investments by $8 billion.

According to a summary of the project drafted last month by the Transportation Ministry, an interoceanic canal is justified because it would open Colombia to the Pacific, develop existing area resources, and maintain environmental balance.

From a social standpoint, the official document stated the project would create 30,000 direct jobs during the infrastructure construction phase and about 40,000 jobs during the operational phase. Moreover, there will be a need for indirect jobs of about 50 percent during the construction phase and of 150 percent during the operational phase.

It added that a canal is needed because traffic capacity of the Panama Canal is 150 million tons per year, but current interoceanic transit demand is larger and increasing.

Ecuador

Ecuador: Official Electoral Results Show Nebot Winner

PY1906154596 Madrid EFE in Spanish 1905 GMT 18 Jun 96

[FBIS Translated Text] Quito, 18 Jun (EFE) — Ecuador's Supreme Electoral Tribunal (TSE) today confirmed the official results of the 19 May elections. According to these results, conservative candidate Jaime Nebot won the elections by less than one percent over populist candidate Abdala Bucaram. Both of them will participate in the runoff elections scheduled to be held on 7 July.

One month after the general elections were held and after the vote scrutiny was over, the TSE today confirmed that Social Christian Party [PSC] leader Nebot obtained 1,035,101 votes, that is, 27.17 percent of the total number of valid votes that were scrutinized. It added that Bucaram obtained 1,001,071 votes, that is, 26.27 percent.

Freddy Ehlers, candidate for the New Country Movement representing social and indigenous groups, obtained 20.61 percent of all valid votes (785,124). He is followed by Popular Democracy Party (PDP) Candidate Rodrigo Paz, who obtained 13.48 percent (513,464 votes).

Scrutinized votes nationwide totaled 4,521,207 out of 6.6 million voters. Despite the fact that voting is mandatory in Ecuador, abstentions in the presidential elections totaled approximately 33 percent of the electorate.

On 21 June, the TSE will officially summon for 7 July the holding of runoff elections between Bucaram and Nebot. According to the latest polls, both candidates are tied in the voters' preference.

In the 19 May elections, Ecuadoreans also elected legislators, but according to what TSE sources have told EFE, the TSE will only report about the new legislature, comprising 82 deputies, within a few days.

According to TSE President Carlos Pardo, the TSE will officially confirm the new deputies elected to the unicameral Congress "at 1000 on 21 June."

Pardo has promised to adopt measures to avoid irregularities during the runoff elections in view of the charges raised during the 19 May elections. These were mainly centered on mistakes in lists of voters and the lack of ballots for some candidates.

Pardo said: "We want to avoid repetition of any irregularities that may have been committed in the past." He added that "we believe that in view of the measures adopted by the Armed Forces and the TSE, no candidate will be able to say that he lost the election because of fraud."

Ecuador: Indian Movement's Electoral Strength Viewed

96SM0361A Guayaquil VISTAZO in Spanish 6 Jun 96 pp 1-4

[Article by Mariana Neira: "The Most Beloved"; first paragraph is VISTAZO introduction — received via Internet]

[FBIS Translated Text] The Indian movement has become the third force and is going to be the grand elector between Nebot and Bucaram.

The surprise was Pachakutik. In its first electoral excursion, it won 63 positions. This was not a matter of luck, say its leaders, but the result of a political plan that has been carried out since the Indian uprising of 1990.

The base of a broader movement that includes such social groupings as unions, the Indian movement began to coalesce in the middle of this century with the creation of Ecuarunari, in the Sierra, and of Cofeniae, in Amazonia. The political constitution considered illiterates to be active participants in the state for the first time and gave them the option of voting. The beneficiaries were the Indians, the principal victims of illiteracy. With this precedent, which coincided with the return of democracy, the Indians decided in 1980 to form a national body, and created the National Coordinating Council for the Indian Nationalities of Ecuador [Conacnie]. In 1986 it became the Confederation of Indian Nationalities of Ecuador [Conaie], with more ambitious goals. "From a revindicationist organization it became a political organization...with a political program based on the particular characteristics of our people" (book, The Indian Nationalities in Ecuador: Our Organizational Process).

The political program went forward and its results became apparent in the surprisingly massive Indian mobilization of June 1990, which made ethnic and social demands. Luis Macas first appeared as the ostensible leader, but those close to the organization say that Nina Pacari is now as important as he is.

Conaie's leaders always emphasized their intention to maintain their purity, separate from the traditional social and political organizations. This apparent isolation raised fears that government impasses or nonperformance could lead to a rebellion of this Indian mass movement that had achieved a high degree of organization. But this was not the case. "The decision was reached in 1993 to become a political participant in the elections, and to create new conditions in which to participate. We presented our constitutional reform proposals which were not accepted, but as participation via independent movements is now possible, we are taking part in this process," says Nina Pacari.

At the same time, the success of Conaie's appeal drew the sympathy of similarly oriented groups, which began to gather around Conaie. Thus was born, de facto if not de jure, the Coordinating Committee for Social Movements — led and administered by Conaie, which supplies the largest share of its membership. Juan Aulestia, a Conaie consultant, says that the confederation includes more than 1,500 communities. Together with others that do not belong to Conaie, the total number of Indian and peasant communities in the country comes to some 4,000. Their total population is about 3.7 million.

The Coordinating Committee's leaders say that the organization's most important success was to have influenced the country to reject the privatization proposals that the Sixto Duran-Ballen government submitted to popular referendum. Some analysts say the referendum's "no" was not the success of anyone, but rejection of the current president's administration.

Certain that this was not the case, Conaie and its Coordinating Committee planned their participation in the electoral process, exclusively with candidates for local governments. Possibly aware of their intention, all of the presidential candidates visited Conaie. "No one had a political platform that included the principal themes of the Indian social movement." Freddy Ehlers was the most credible. "Presentation of the platform themes came from the movement and Ehlers endorsed them completely. He had some thoughts of his own that coincided with ours, such as the constituent assembly, multinationality, and ecology." As Ehlers is an independent, supporting him also gave them the option to "keep the movement separate from the political parties."

Thus it was that on 30 January and 1 February 1996, Conaie decided to expand its electoral participation by running its own candidates for Congress and supporting Ehlers.

The presidential candidate sought political support and the Democratic Left [ID] got on his electoral bandwagon (the Socialists did, too, but with less noise), attributing to itself Ehlers' political paternity, which had been rejected by Conaie. "We accepted the unconditional support of the ID, but not the management of the campaign."

Did Conaie consider running a presidential candidate of its own, such as Luis Macas? Aulestia replies: "No, because for the Indian movement this was a new experience of a political relationship with the state. This was the first time in the entire history of the republic that the movement took part in an election. We saw that it would be very risky to have our own candidate without having had any previous experience, without an election organization, without at least having lists in the provinces." There was also fear of the exacerbated racism that exists in the country. "There go the Indians. Fine ones to be running the government," was a comment often heard at countryside rallies.

The Campaign

With their position defined, they proceeded to the movement's electoral identification and its symbols. The movement would be called Pachakutik, which means New Era — which for campaign purposes became New Country. Its distinctive symbol would be the wipala, a flag bearing the colors of the rainbow. All these elements that historically form part of the Indian identity came together in list 18.

They applied to the electoral tribunals to enter the list in 14 provinces, but they were challenged in two of them (Loja and — partially — in Guayas).

The campaigns of Ehlers and Pachakutik were completely separate. To promote its lists, Conaie and its Coordinating Committee spent 52 million sucres, half of which it raised from sales of the wipala, the other half from private contributions. Some people made contributions in kind and candidates even sold their livestock to finance their campaigns. Ehlers contributed posters.

The mobilization of its electorate was of great concern to Conaie. The Supreme Electoral Tribunal had ignored Quechua-speakers in its promotion of registration and voting. Conaie therefore opted for motivating and orienting its electorate by means of workshops and popular theater, in which it explained the requirements for voting, how the ballots were drawn up, and — logically — whom they should vote for.

The Results

The results were a surprise for those unfamiliar with the movement but not for the movement itself. The movement won 63 seats. They will have Luis Macas as national deputy, with the possible addition of Marcelo Roman, "who represents the working class." They obtained eight provincial deputies, three mayors, eight presidents of council, 33 councilors, and 9 counselors.

Ten of those elected are Mestizos and the rest Indians.

According to Nina Pacari, this overwhelming victory for a neophyte political movement is due to the fact that its members "arise from among the people, from organized civil society and from the Indian movement. Another reason is the proposal that calls for participation and democracy, and that we want to build a new country for all."

Aulestia believes that betrayal or mediocrity will not be a factor among those elected, because "the cadres have great significance in the movement. They are very well prepared." They will have to answer "to the membership in the same way, with the same relationship they have always had. They will not just be working in Congress behind closed doors. They will come out and carry out their duties with the people, with the movement," and their actions will be judged.

This "judgment" has been a tradition governed by the Indians' own rules. "Since the 1930s the motto of the Indian movement has been: do not lie, do not steal, do not be idle." To prevent these principles from being violated or corrupted, an unusual agreement was reached two weeks ago in Chimborazo, which might be extended to the other provinces: In a public ceremony, the candidates were made to sign their resignations from the positions they would fill after the elections. "This is a guarantee that if they do not live up to their mandate, these letters will be presented immediately. It is a kind of Civil Tribunal. This is the beginning of a new custom, of a new policy."

To obtain support for their programs, the ten national and provincial deputies inevitably will have to form alliances. Nina Pacari says: "We have our proposals and we will decide the strategies together with other organizations, the appropriate authorities, and the local powers."

Discipline

When speaking of 3.7 million members of peasant and Indian communities, the question arises as to how many were able to vote and whether they all voted for New Country candidates.

Taking into account only its members and not counting the unreliables (those who have no documents and who are not registered), those who are isolated from society and are uninformed, minors, and the aged, Conaie itself believes there were 350,000 registered voters. "One way to measure this would be to see how many voted for Lucho Macas," says Aulestia. When this edition closed, the number was around 340,000. He had 106,000 votes in Pichincha alone. But among these votes for Macas there were many urban Mestizo sympathizers, especially intellectuals and people of the middle class. Therefore, it is difficult to determine how many of those votes were from the Indian community.

Furthermore, leaders are convinced that discipline was not total. "Some 80 percent will have voted for our candidates." The rest were frightened or bought off. "Fear of Peru was used in the border areas. When we no longer had funds to run a campaign in Amazonia, lists 5 and 6 went around buying the votes of the leaders of communes with boxes of matches, 20,000 and 50,000 sucre bills, used American clothing, and bags of groceries." Despatching trucks with liquor was even talked about. "We were not able to prove it, but we sent out warnings by radio: 'Careful! They want to get Pachakutik drunk,'" says Aulestia.

Despite everything, Pachakutik leaders are pleased with the results and they await with optimism the year 2000, which according to the Indian calendar closes a 500-year era which will give way to Pachakutik, or the New Era.

Are they thinking about a presidential candidate of their own for then? Nina Pacari replies: "We are not going to get ahead of ourselves. We have a political program and these are the steps that have been taken. This is a program to change the system that has brought about a country where 80 percent of the people are poor, and people are outcast and abandoned."

Ecuador: 7 Jul Runoff Elections Seen as Deceptive

96SM0361B Guayaquil VISTAZO in Spanish
6 Jun 96 pp 1-2

[Commentary by Jose Sanchez-Parga, director of the Latin American Studies Center PUCE: "Tango and Fraud in the Runoff"; first paragraph is VISTAZO introduction — received via Internet]

[FBIS Translated Text] The absolute majority of the runoff election is nothing more than a mirage of the plurality of the first round.

The runoff is a very illusory political device because it deceives citizens, and a very treacherous one because the future president will have great difficulty governing.

The illusion of the runoff election consists in fabricating a false majority, which makes the country believe that the winning candidate is the president of all Ecuadoreans, and also makes the president believe that he represents the entire country when he governs.

But the electoral results show that the last four presidents of Ecuador were really elected in the first round with an average of 23 percent of all the votes, and that none of them managed to get more than 26.8 percent. In other words, the presidents of Ecuador have obtained the electoral support of only one out of every four voters.

The runoff election obliges citizens to choose a president from the two most voted candidates; although both together, in the first round, have never managed to obtain 50 percent of the votes in any election in the past 18 years.

The absolute majority of the runoff is no more than a mirage of the plurality of the first round. Which turns the second round into a kind of concealed but constitutional electoral fraud.

If we do the arithmetic, since the votes obtained by the candidates in the runoff election are more than twice those they obtained in the first round (except for 1992), it turns out that our presidents win elections with the votes of citizens who did not vote for them the first time, but who were forced to vote for them in the runoff.

But more serious than the hypnotic effects of the runoff are the political consequences for the future government. This is because the national deputies and provincial representatives of the parties in Congress are a product of the first round and form the congressional majorities, which do not necessarily coincide with the government's legislative program.

Except for the first two years of President Borja's administration, all governments have had to govern with a minority representation in Congress. This is the main reason - there are others - not only for our misgovernment, but also for the fact that all of our presidents finish their terms amid the most widespread discredit, in the most resounding political bankruptcy, with the opposition of the entire country, and above all with the frustration of all those citizens who did not vote for them in the first round but had to do so in the runoff.

So that the "power struggle" between the executive and Congress is never an accident of national politics: It is as natural as a heartbeat, its natural element. With so little civic support and so much opposition in Congress, no president will be able to provide good government.

Only this explains why citizens rush to the polls in the runoff and increase or decrease the number of blank or voided ballots compared with the first round — not as a preference but as a negative vote: not because their trust in the candidate they did not vote for the first time has increased, but because they believe him to be less bad than the other one.

This absurd political scenario is not unique to Ecuador; it works just as badly in most Latin American countries, where presidents are elected in runoffs.

It is politically inexplicable that, despite having so little electoral support, our presidents enjoy so much popular devotion during the campaigns and a few weeks afterward. The runoff has all the characteristics of an election bet, almost a raffle provocative of euphoria and creator of hope.

And this is where fraud [tongo] turns into tango, because politics becomes a hand-to-hand struggle, an almost erotic contest, where the political "sex appeal" of the candidates is most important and where the winner succeeds in momentarily exciting the public. However, all illusions vanish the following day when the president begins to govern.

No one says that presidents are the worst politicians, although everyone thinks it and believes that there are no better politicians in the country. Perhaps the problem is our political institutions, among those the runoff election, which corrupts them.

Bad government in Ecuador (and in Latin America) is not an unavoidable destiny or a mysterious punishment, but the result of political masochism and of a very confused fascination with presidentialist order.

Paraguay

Paraguay: Brazil's Support During Coup Attempt Viewed

PY2006031196 Sao Paulo ISTOE in Portuguese 19 Jun 96 pp 102, 103

[Article by Eduardo Marini and Guilherme Evelin]

[FBIS Translated Text] A book about negotiations behind the curtains during the 22-23 April frustrated coup attempt in Paraguay is placing Brazilian Ambassador to Asuncion Marcio Paulo de Oliveira Dias in a historic conflict. The book entitled "The Decline of the Horseman," written by Paraguayan journalists Edwin Britez, Ignacio Martinez, Carlos Peralta, and Nestor Escobar Franco was launched at the end of May. In it the authors assert that during a dramatic meeting at the U.S. Embassy on 23 April Ambassador Oliveira Dias suggested that President Juan Carlos Wasmosy resign. "He said it was not a bad idea to give Wasmosy's letter of resignation to General Lino Cesar Oviedo in order to prevent the shedding of blood," the book says on page 123. The journalists even reproduced the alleged dialogue between the ambassador and Wasmosy. "Give him your resignation, Mr. President. In this way we will avoid an unnecessary bloodbath. Let the Congress president assume the Presidency, as Gen. Oviedo wants, and he will go into the reserves." This version of the meeting was also reproduced by Congress President Milciades Casabianca himself. The only problem with the story is that it is false.

The ambassador received the book as a present from a common friend of journalist Britez. The day following the launching he issued a note. "The report is totally untrue, offensive to me as a person and a professional, and offensive to my country. I never suggested Wasmosy's resignation. On the contrary, I was one of those who most fervently encouraged the president to stay in power," Oliveira said. The ambassador's conflict derives from two facts. A person who fought for democracy in Paraguay cannot censure a book. If he tells everything he could convey the impression that he went beyond his diplomatic functions and became involved in the internal affairs of a friendly country.

After receiving the ambassador's note, however, some actors in the story started to speak the truth. First, Congress President Casabianca denied he had visited the Brazilian Embassy in the early morning hours of 23 April. Lately, however, ISTOE obtained information proving that the participation of the Brazilian Government in the process that frustrated the coup attempt in Paraguay was more decisive than imagined. Wasmosy relieved Oviedo on 19 April. The same day Fernando Henrique Cardoso mounted a sort of emergency cabinet with the military ministers, Strategic Affairs Secretary Ronaldo Sardenberg, and Foreign Ministry Secretary General Sabastiao Rego Barros to follow the crisis closely. The Paraguayan president knew that the decision to separate the obstinate general from the Army leadership would create a grave situation.

On 20 April — one day after replacing Army commander Gen. Oviedo, who openly aspires to become the Colorado Party candidate to the Presidency in the 1998 elections — the Paraguayan president made a secret visit to Brasilia. Wasmosy had the impression that a military uprising was in the making and that the coup would occur on 24 April. He then took his private plane on the sunny late afternoon of 20 April for a secret trip to Brazil in order to seek support from the Brazilian Government. At the same time Ambassador Marcio Paulo de Oliveira Dias gathered the main Paraguayan political leaders for a reception at the embassy in Asuncion. In doing so, Wasmosy trampled on a constitutional norm requiring the president to obtain congressional approval to leave the country. The meeting with President Cardoso was at the Alvorada Palace and lasted two and one-half hours. The Paraguayan president sought guarantees and forces to resist an eventual coup attempt.

Wasmosy was right about Oviedo. He only missed the date.

The revolt occurred two days before, on 22 April. The U.S. Government and the governments of Paraguay's three Mercosur [Common Market of the South] partners — Uruguay, Argentina, and Brazil — reacted to the revolt immediately. On 22 April, after Oviedo threatened to bomb the Government House where Wasmosy had taken refuge with his family, Brazilian Army Minister Zenildo Zoroastro de Lucena called the rebellious general to tell him that there would be reprisals if the coup was not interrupted in the next few hours. "Brazil will react to an interruption of the legal system," General Zenildo warned Gen. Oviedo.

The Brazilian retaliation did not anticipate any direct military intervention, but measures to suffocate the Paraguayan economy in a short time. Besides Paraguay's immediate suspension from Mercosur, in agreement with Buenos Aires and Montevideo, Brazil contemplated blockading the Friendship Bridge linking Foz do Iguacu to Ciudad del Este, paradise of Brazilian smugglers, and the closing of the ports of Santos (SP) [Sao Paulo] and Paranagua (PR) [Parana] to Paraguayan exports and imports. As the last stroke the Brazilian Government also planned to suspend payments on the consumption of Itaipu's electric energy, which represents 26 percent of Paraguay's national budget. Brazil is Paraguay's main commercial partner. Last year the two countries' official trade amounted to $1.8 billion and Brazil had a surplus of $800 million. In this period, according to figures of the Federal Revenue Service, Brazilian smugglers spent more than $2 billion in Paraguay in the contraband of foreign products.

At 2230 on 22 April Wasmosy called President Fernando Henrique Cardoso at the Alvorada Palace to tell him that everything was under control. Three hours later, however, the picture had changed and the president was about to live the most dramatic night in Paraguay's recent political history. Wasmosy left the official residence and moved to the American Embassy in the early hours of 23 April. He was accompanied only by two of his children during his meeting with Ambassador Robert Service. Oliveira Dias was then called by his American counterpart. He arrived minutes later. The Brazilian ambassador found Wasmosy tense, sitting in front of a table with a piece of paper in front of him. Oliveira Dias read the document. It was a letter of resignation addressed to the Congress. It was after 0200 when the most tense dialogue of the crisis started:

"You cannot do that," the Brazilian ambassador said.

"I will accept a solution that will prevent all violence," the cornered president answered.

Oliveira Dias then phoned interim Foreign Minister Sabastiao do Rego Barros and briefed him on the situation.

"If you think it's necessary I will wake up the president [Cardoso]," Rego Barros said.

"That will not be necessary if I can give him the necessary guarantees," Oliveira Dias answered.

"President Wasmosy will have those guarantees," Rego Barros concluded.

Oliveira hung up and then informed the president about his discussion with Rego Barros and the letter of resignation was torn up. "We suggested to the president to send not a letter of resignation, but a vague and imprecise leave request that Congress could not analyze," the ambassador told ISTOE. Rego Barros was sent to Asuncion the next morning to express solidarity with Wasmosy. "I cannot deny this information," Rego Barros told ISTOE last week. The Brazilian Government was left with a black hole in this story. The Foreign Ministry still does not know what happened between the time Wasmosy called Cardoso and the meeting at the American Embassy — the four hours that almost changed the history of Paraguay.

At noon on 23 April Oviedo handed over the Army command believing that Wasmosy would name him defense minister. But Wasmosy, sustained by the popular reaction against the agreement and the refusal of the 29 Paraguayan generals to support the leader of the rebellion, did not name Oviedo defense minister. The coup had been checked. Oviedo said that at the beginning of the crisis Wasmosy had proposed to him to stage a self-inflicted coup, in the style of the coup staged by Peruvian President Alberto Fujimori. The general said that Wasmosy's idea was to abolish the Congress in order to make investments, promulgate a new Constitution, and radically change the judicial branch. Wasmosy denied the charges. On 12 May the Paraguayan president confirmed to the court hearing the case that there had been a coup attempt. Paraguayan politicians now expect that the coupist general will go to jail.

Paraguay: Politicians on Judge's Decision To Arrest Oviedo

PY2006000296

[FBIS Report] Asuncion ULTIMA HORA in Spanish on 14 June, on pages 2 and 3, carries a 250-word report on the reaction of Domingo Laino, chairman of the Authentic Radical Liberal Party, to judge Alcides Corbeta's decision to order the arrest of Army General Lino Oviedo. Laino said "it is what the country's democratic conscience expected." He added that "the law must apply to everyone, from the most modest to the most prominent person."

The same issue, on page 4, carries a 330-word report on the reaction by Carlos Filizzola, chairman of the National Encounter Party, to the judge's decision by stating that the "citizenry is recovering its confidence in justice." He said that "these measures against the rebel military officer should have been taken a long time ago when he violated the Constitution by engaging in politics."

The same page carries a 200-word report on the comments on the same issue by Deputy Blas Llano, chairman of the Congressional Investigating Committee, who said that "Laino will go where he should have always been." He said that the CBI will help the judge in this case.

Paraguay: Direct 'Full' Connection With Internet Launched

PY1906173996 Asuncion ABC COLOR in Spanish
12 Jun 96 p 38

[FBIS Translated Excerpt] The first direct and "full" [preceding word in English] connection with the Internet was inaugurated on 11 June. Authorities from the National and Catholic Universities, OAS representatives, and special guests attended the ceremony. [passage omitted]

National Computer Center representative Blanca de Trevisan said: "The main objective of this project is to establish a network to primarily interconnect educational, scientific, and technological institutions. It will also establish connection with Internet to promote all sorts of scientific and technological activities."

She explained that the first stage of the project concluded with placing the National University, the Catholic University, and the Public Works and Communications Ministry online with the Internet. [passage omitted]

Peru

Peru: More on Officers' Involvement in Narcoplane Case

PY2006022096 Lima EL COMERCIO in Spanish
16 Jun 96 p A12

[Article by Miguel Ramirez and Jose Antonio Indacochea]

[FBIS Translated Text] According to several sources consulted by EL COMERCIO, the information provided by the four noncommissioned officers who requested that the benefits provided for in the Repentance Law be applied to them so as to "declare the truth and nothing but the truth," was instrumental in making the police dismantle and arrest some members of the drug trafficking mafia which intended to ship drugs using an Air Force DC 8 plane.

Noncommissioned Officers Jorge Barreto, Fernando Romero, Efrain Ernelto Cadillo, and Ely Urrunaga Olano testified on 15 June that Noncommissioned Officers Juan Otto Cordova Babilonia, Daniel Caceres Marin, and another noncommissioned officer surnamed Yoncob masterminded the delivery. Up to that moment the four noncommissioned officers were at large packing up to flee the country.

Cordova's latest post was at Las Palmas Base, in Surco. Prior to this, however, he had been commissioned for 10 years — until 1995 — at Air Group No. 8, where the cargo of drugs was found on the evening of 10 May.

When Cordova was transferred to Las Palmas Base, he named his colleagues Caceres Marin and Yoncob as his representatives at Air Group No. 8.

Barreto said he and his colleagues received several deliveries of the cocaine personally sent by Cordova and that the deliveries entered through the main gate of Air Group No. 8 without being detected by those in charge of controlling the entry to the base. The cocaine was hidden in the bedrooms of the four noncommissioned officers and from there it was taken to the Air Force plane hidden in briefcases.

As EL COMERICIO reported two weeks ago, part of the cargo of cocaine — approximately 100 kg — was taken to the aircraft on 22 April as the flight bound for Moscow was to have departed on 27 April, but was suspended until 11 May. The remaining cargo was loaded approximately on 8 May, three days prior to the plane's departure for Europe.

The repentant noncommissioned officers confessed that Cordova had offered them $3,000 per each kilogram of cocaine transported. In other words, they would collect more than half a million dollars in this shipment, $522,000 to be precise.

Barreto further stated that two other consignments of drugs, which never exceeded 30 kg, had been sent abroad. The first shipment was consigned three years ago. The shipment of 174 kg of cocaine discovered on 10 May was going to be the largest one sent abroad.

The repentant noncommissioned officers revealed that part of the cargo of cocaine was bound for the Canary Islands and part of it for Chateauroux (France). Still, they said that they did not know who the liaisons in those places were as Cordova, who knew the 'contacts,' was not able to tell them their names because they were taken into custody on the date they were going to meet to put the finishing touches to the deal, namely 10 May.

Despite the evidence, Cordova, Caceres, and Yoncob have denied their implication in this affair.

The repentant noncommissioned officers provided extremely valuable additional information, which is currently being verified by the counternarcotics intelligence services. This is the reason why Prosecutor Maria Castillo decided to grant them the benefit of the Repentance Law.

According to a source close to the office of the public prosecutor's office, Castillo was about to grant them a special code name to each of the 'repentant' noncommissioned officer, cite them as prosecution witnesses, and place them under protection in a high-security place while the information they had provided to the prosecutor was being confirmed as absolutely reliable.

The prosecutor was busily engaged in this when she was abruptly relieved of this case on 20 May, i.e. three days after she had decided to accept the noncommissioned officers' request to the effect that the benefits provided for in the Repentance Law be applied to them. Prosecutor Janet Pena was assigned to this case as a replacement for Castillo.

The announcement of the change was faxed to PNP [Peruvian National Police] General Luis Perrigo, head of the counternarcotics police, who at that moment was meeting with Castillo at his office getting everything ready to subpoena the five FAP [Peruvian Air Force] officers in charge of piloting the DC-8 aircraft and who had not yet been summoned due to a procedural strategy.

A source reported: "Perrigo could not believe his eyes. So far he and the prosecutor had worked around the clock for 10 days on the inquiry. Nothing remained except for Perrigo to read the resolution ordering her removal from the case."

The National Antidrug Directorate and Prosecutor Pena have copies of the depositions made by the repentant noncommissioned officers, which are part of a 'secret' dossier, which is strictly confidential and which has not been included in the case dossier. The only thing that is known about the secret dossier is what persons who have had access to it have revealed.

Two hypotheses have been put forward to explain this event. The first one points out that Prosecutor Pena is carefully studying and verifying the information given by the repentant noncommissioned officers in the most absolute secrecy while the other one states that the ulterior motive behind all this might be to delay the case.

Peru: Analyst Evaluates Consequences of Selling Petroperu

PY1906164096 Lima LA REPUBLICA in Spanish 12 Jun 96 p 2

[Article by Humberto Campodonico: "What's Coming"]

[FBIS Translated Excerpt] The La Pampilla refinery and the oil field Lot 8/8x were sold yesterday. In both cases, given the price paid by the buyers, the assets of Petroperu [State Petroleum Agency] were practically given away.

The consortium made up of Repsol/YPF/Mobil/Wiese/Banco de Credito, and Grana and Montero paid $180 million for 60 percent of the shares of La Pampilla when the land alone is worth $104 million. In the case of Lot 8/8x, the Argentine company Pluspetrol paid $104 million for oil reserves that were expressly undervalued by the government. According to calculations of various analysts, Pluspetrol will earn the amount paid for the total reserves in only eight months.

A great deal has been said and written, and with reason, on the privatization of Petroperu. But what must now be assessed is the consequence this sale will have on the people and the country.

Above all, consumers will feel the fuel price increase, which yesterday already increased an average of 7 percent. This increase is only a fraction of what is coming. As can be seen in chart 1, the prices of all fuels are still under international prices despite yesterday's increase.

First are the Residual 500 and Residual 600 (used in factories), which are 62 and 35 percent, respectively, below international prices. Then follows, for example, the 90 octane gasoline, the cost of which is 16 percent lower than international prices, and the 84 octane gasoline, whose price is 19 percent below international prices.

This means that from now until La Pampilla refinery is handed over to its new owners, the fuel prices will increase until they reach the level of international prices. [passage omitted]

The conclusion is that the privatization of Petroperu and the deregulation of retail prices are hurting, rather than benefiting, consumers. And this is exactly contrary to the goals of privatization.

If the international price of oil increases due to geographical and political problems in the Middle East, this increase would be entirely transferred to consumers. But this would not have been the case had Petroperu remained a state company with a vertical management system.

But the commitments to the IMF to continue to pay the foreign debt demand that fiscal accounts be filled with money from privatization. Bascically, this is the real and most important reason for selling Petroperu.

Uruguay

Uruguay: Government Reform Discussed

96SM0365A Montevideo EL OBSERVADOR in Spanish 23 May 96 p 5

[Article by Gustavo Rodriguez: "A State With More Muscle and No Fat"]

[FBIS Translated Text] *The government is preparing to divest itself of a large number of services that it considers nonessential and will eliminate, merge, and reorganize some of its activities.*

The government has defined the extent of the governmental reform and is preparing to divest itself—before the end of the year—of a large number of services that it considers to be nonessential to its operation; it will simultaneously eliminate, merge, and reorganize some of the current activities of the agencies of the central administration. This initiative could be extended to include the autonomous entities and decentralized services.

"Services relating to repairs, cleaning, maintenance, security, the transportation of goods and passengers, architecture, medical certification, technical and scientific extension studies and research, laboratories, taverns, and the like" will not be performed by the state, nor will those services that "involve duplication or overlapping with other operational units in the same or different categories."

Government employees—contract employees as well as civil servants—who engage in these nonessential activities "shall be regarded as supplementary personnel." The president of the Republic last Thursday... [words indistinct] the cabinet approved the decree that regulates the governmental reform.

Within the next 40 days the cabinet ministers and the heads of the agencies of the central administration should sharpen their surgical knives and make rational cuts in their respective departments while reformulating their new organizational structures. Authoritative sources in the government told EL OBSERVADOR yesterday that the newly approved legal framework constitutes "the heart of the government reform" and that "its success or failure" will depend "on the political will of government officials" to have a public administration that will "once and for all be composed of more muscle and less fat." They said the reform was undertaken "at the direction of President Julio Sanguinetti himself, who ordered that a triumvirate consisting of Economy Minister Luis Mosca; Ariel Davrieux, director of Planning and Budget; and Ruben Correa Freitas, director of the Civil Service Office serve as the executors of this ambitious project."

The decree issued by the president in cabinet council regulates the governmental reform, which is envisioned initially as applicable to the budgets of the central administration, without ruling out the possibility of its extension to include the autonomous entities and decentralized services.

The redefinition of "the strategic objectives for coping with a budget deficit—together with a close relationship... [words indistinct] product, all with a view to increasing the nation's competitiveness"—was one of the central arguments of the reform effort, as stated in the preamble to the regulations that were approved.

The regulations cite the urgent need for the cabinet ministers and top government officials to submit their reform measures to the Executive Committee for Government Reform (Cepre) within 45 days, and they also establish the "essential duties" of the state. When Cepre approves the proposed restructuration, the agencies will have 180 days—until shortly before the end of the year—to implement the proposed changes.

According to the decree as approved, the parameters for the action to be taken by the officials of the central government will result in the "hierarchization" of its essential duties, whereby the state should "perform its regulatory and control functions more effectively and provide services more efficiently with increased quality and without increased cost." The plans for giving the state a new profile should also take into account... [words indistinct] structures "requires that the traditional bureaucratic model of governmental administration—a model based on control of activities and procedures—be changed to a more managerial model that focuses on the results achieved by public management whose objective is to satisfy the expectations of our citizens."

Criteria

The criteria for reducing the size of the government and rationalizing its services are contained in the "technical regulations" of the decree, in the form of five specific provisions. These provisions establish that "the assignment of a particular duty does not necessarily imply the existence of a specific organizational unit to perform that duty." The regulations specify that "each executory unit shall group together the essential duties set forth in the clause that deals with the individual sectors of homogeneous activity" and that "no executory units shall be proposed that consist of fewer than 60 positions, whether they be budgeted or contracted."

The regulations also provide that "the head of each executory unit cannot be in charge of more than two organizational units" and "duties and functions that are performed under contract can be declared to be supplementary." They further state that "positions and functions that correspond to essential [as published] duties shall also be considered to be supplementary."

Impact of the Reform on the National Budget

As soon as the heads of the central administration submit their reform plans to the Executive Committee for Government Reform (Cepre), it will be possible to quantify the impact of the reform on the national budget. This statement was made to EL OBSERVADOR by official sources, which also state that if the cabinet ministers "submit a good proposal" the "success of the reform will be assured."

The decree that regulates the restructuration of the public administration gives preference to the government's regulatory and investigatory activities over its function as "a provider of services."

In this connection, the decree states that "activities relating to the formulation of policy—and to regulation and control—that are assigned to the state by the Constitution or by law are essential duties."

Actual Provision of Services

The decree adds that "the actual delivery of services shall be made directly by the state only when it is so mandated by the Constitution or by law; when delivery of the services by private persons does not ensure that the public will have equal access to said services; or when a satisfactory cost-benefit ratio exists between the cost of the service and the results obtained."

Former Government Officials

The regulations provide that contracts with third parties for the delivery of such services may be made with companies organized by former government officials or by officials who performed supplementary duties or functions under contract in the most recent national budget (which was approved on 5 January 1996). In such cases the contracts may not be for a term of more than two years but may be extended one time only for an additional two years in cases where the size of the investment required—or other aspects of the contractual agreement—"provide sufficient justification."

[Box, p 5]

The Decree

The president of the Republic, in session with the cabinet, last Thursday [16 May] approved the decree that regulates the reform of the government.

Scope of the Decree

The government has defined the scope of the governmental reform and is preparing to divest itself—before the end of the year—of a large number of services that it considers to be nonessential to its operation and will simultaneously eliminate, merge, or reorder various activities currently performed by agencies of the central administration. This initiative could be extended to include the autonomous entities and decentralized services.

Venezuela

Venezuela: 1 Student, 5 Policemen Injured in Violent Riots

PA1906151396 Caracas EL UNIVERSAL in Spanish 18 Jun 96 p 1-11

[Report by Francisco Melendez]

[FBIS Translated Text] Barquisimeto — Violent riots shook Barquisimeto yesterday. The riots left one student seriously injured and five policemen suffered major injuries from stones that were thrown at them and from homemade weapons used by the demonstrators.

The injured student was identified as Reinaldo Salas Abreu (21) who is in his fourth semester at the Veterinary School of the Lisandro Alvarado Western Center University [UCLA].

The protest arose when the regional government decided to use the student ticket for the payment of the preferential fare.

Police authorities reported that hooded individuals participated in the riots and tried to loot the Makro store as well as other outlets in the center of the city.

Yesterday's protests totally paralyzed vehicle traffic in the streets close to the UCLA Science, Veterinary, and Agriculture School.

In the afternoon, National Guard units patrolled the main streets and avenues of Barquisimeto in light-armored vehicles to prevent looting. Meanwhile, the police repressed the protesters in the city's west side.

State Governor Orlando Fernandez Medina said in a news conference that apparently common criminals who infiltrated the students' ranks in these actions were trying to alter the public order, and that they would be vigorously repressed.

After 1800, the city of Barquisimeto was under the control of the National Guard and the State Police. Additional measures are expected today to avoid new outbreaks of violence.

The state governor has decided to suspend classes in the schools located in the city's west side. No arrests have been reported, although State Security Forces members plan to carry out raids to arrest the common criminals that took part in these disturbances.

Venezuela: Cordiplan Minister Discusses State Reform

PA2006043396 Caracas Televen Canal 10 in Spanish 1600 GMT 18 Jun 96

[Report by Luis Eduardo Betancourt; from "The Newscast"; monitored by retransmission by Lima Sistema Unido de Retransmision Television at 1600 GMT on 18 June]

[FBIS Translated Text] According to Coordination and Planning Minister Teodoro Petkoff, as long as the Venezuelan Social Security Institute [IVSS] does not reorganize itself efficiently, it will not be in any condition to administer any type of social security fund. Luis Eduardo Betancourt has more information on this.

[Begin Betancourt recording] The coordination and planning [Cordiplan] minister also talked about state reform and said it will be impossible to reduce public expenditures in Venezuela in the short run because 90 percent of the revenues that finance the national budget have already been allocated for the payment of administrative-personnel expenses and, of course, for the payment of the country's domestic and foreign debt.

[Begin Petkoff recording] We want to lower the deficit from 8 percent to 2 percent of the GDP. We want to reduce it in that proportion. To do this we must reduce expenditures, but we cannot increase revenues. We cannot increase them. Increasing revenues means increasing taxes, increasing the price of gasoline and so on. Why? Because these are the mechanisms the state has to finance its expenditures if it wants to do it without increasing inflation. [end recording]

In the long run, once revenues are increased and once state reform laws are passed, the executive branch hopes to reallocate expenditures. The idea is to invest more in infrastructure, education, and health.

[Begin Petkoff recording] It is not a matter of reducing expenditures, it is a matter of reallocating them, giving them the efficiency they do not have today. That is what we hope to achieve through a state reform, but that will be in the medium and long run. [end recording]

In Venezuela more than 40 percent of expenditures in the areas of education and health are used to pay salaries. To reverse this trend, the government will pass a state reform law that will include the dismissal of a large number of public employees who will join the private sector once the economy begins to recover.

Venezuela: Mistrust of Democratic System Termed 'Grave'

PA1906193396 Caracas EL NACIONAL in Spanish 18 Jun 96 p D4

[FBIS Translated Text] Interior Minister Jose Guillermo Andueza has said in response to a Venezuelan Petroleum, Inc., report that it is a mistake to believe that the country's problems will be quickly resolved through any system other than a democratic system. Andueza said: "Dialogue and discussion are key to solving the country's problems, despite the shortcomings of a democratic system." Andueza pointed out that some prefer dictatorship: "Unfortunately, some would like to see a strong, dictatorial government even after having lived with democracy for the past few years." Andueza, who said he does not know if Pedevesa initiated the report, said that democracy has been practiced improperly in Venezuela and that this is being corrected. He also stressed the need to accelerate this corrective process. Andueza said that only in this way will public administration be more efficient and public services be more productive. The minister said that public objectives must be reached; otherwise, the "dangerous and grave" lack of trust in the democratic system will grow.

Venezuela: Survey Shows Drop in Industrial Activity

96SM0350A Caracas EL NACIONAL in Spanish 28 May 96

[Received via Internet]

[FBIS Translated Text] During the last 12 months, capital investments in 65.4 percent of the industrial sector have been paralyzed; 71.7 percent of businessmen think this is not the right time to initiate such investments; and 34.6 percent say that if they did invest, they did so only to be able to stay in operation.

This is one of the most significant findings of the Industrial Status Survey covering the first quarter of this year. It incorporates some changes in methodology and content intended to improve the survey. Among these changes is an increase in the survey sample size to 450 interviews. These changes are the result of an association between Conindustria [Venezuelan Council of Industry] and the consulting firm Datanalisis, which was then assigned the job of conducting the study. Pedro Carmona and Luis Vicente Leon, president of Conindustria and the director of Datanalisis, explained the survey results, which show that during the first quarter of 1996 the industrial sector continued its declining trend.

Of the companies surveyed, 41.6 percent resorted to downsizing, with 68 percent reporting personnel cuts of magnitudes ranging between 1 and 30 percent of the labor force they had in December 1995. This behavior is explained by cuts in orders and in production.

Of the businessmen interviewed, 57.6 percent felt that the level of orders received during the first three months of this year was lower than in the first quarter of 1995, and 54.4 percent said that their production declined during the same period. It is important to note that 60 percent of the businesses which cut their production did so by an average rate of 51.7 percent.

In addition, 54.4 percent of the businessmen interviewed believe that production levels were down during the first quarter of this year. The major factors cited as adversely affecting production were inflation and high costs, along with the decline in aggregate demand and in the population's purchasing power.

This downturn in business activity caused Venezuela's active industrial capacity to slump to an average of 50.8 percent. However, the problem is more acute in small businesses, whose working plant capacity was only 48.19 percent, while large industries reported capacity utilization levels of 67.99 percent.

Of the exporters, about 40 percent reported that the volume of exports during the first quarter of this year remained constant in relation to the same period of 1995. However, exporters' expectations are moderately positive for the next quarter.

On the issue of the government's economic policy, 68.8 percent of the businessmen believe that a high but stable and predictable exchange rate is preferable to the former situation of exchange controls.

Still, on the issue of industrial policy, the businessmen agreed that the government has no explicit industrial policy supporting industrial development.

Pedro Carmona also mentioned the recent step which the Ministry of Development took to remove price controls. In his view, this sends a positive signal to the sector as it indicates real continuity in the plan. However, he called for eliminating as soon as possible Decree 985, which requires producers to post the Maximum Public Sales Price.

Venezuela: Unions Reject Worker Benefits Bill

96SM0350B Caracas EL NACIONAL in Spanish 30 May 96

[Received via Internet]

[FBIS Translated Text] Representatives of Venezuela's major union organizations —CTV [Venezuelan Workers Confederation], Codesa [Committee of Autonomous Unions], CGT [General Federation of Workers], and CUTV [United Federation of Venezuelan Workers] — in an emergency session yesterday evening voted unanimously to reject the draft bill on Length of Service Benefits, Unemployment Assistance, and Social Security, which the government had presented for their review and evaluation. The union leaders authorized Federico Ramirez Leon to report their position to the government, as follows.

"In this meeting the working paper which Minister of Labor Juan Nepomuceno Garrido gave us on Monday, 27 May was rejected by a unanimous decision. All the union federations agreed that such a bill would be detrimental to the workers' interests and discriminatory toward public sector workers, when the law must treat everyone equally. Moreover, we are not prepared to sit down to discuss this bill with either the government or the business community."

When Ramirez Leon was asked about the possibility that the government might submit this plan to Congress with the support of the private sector, he answered:

"I do not think the Executive is inclined to impose anything that is going to be detrimental to all of the nation's workers, especially as the chief of state has been known for his consideration and his dedication to the study of social legislation. A bill that eliminates the calculation of benefits, which is retroactivity itself, is from every point of view unacceptable to the working community and to us as its representatives. And it also discriminates against public sector employees. If such a bill were passed, it would be a virtual provocation that might lead to labor actions, and we would not rule out the possibility of a total work stoppage."

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